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ECONOMIC AFFAIRS

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CHINA REPORT

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ECONOMIC DEVELOPMENT ZONES

SHANGHAI ECONOMIC ZONE TRANSPORTATION PROBLEMS EXPLORED

Hunan JINGJI DILI [ECONOMIC GEOGRAPHY] in Chinese No 3, Aug 84
pp 178-84

[Article by He Tenggao [0149 7506 7559]: "Special Characteristics of Communications and Transportation in the Shanghai Economic Zone and Exploring Its Present Problems"]

[Text] On the basis of relevant investigations, the present article attempts a preliminary analysis of the special characteristics in the development of communications and transportation in the Shanghai economic zone and of certain of its problems, with the aim of exploring the position and function of various patterns of communications and transportation in regional economic developments and the problem of their mutual harmonious coordination.

Outline of Communications and Transportation Development

The Shanghai economic zone is situated in the Changjiang River delta and on the shores of Hangzhou Bay. It is an area of low and flat land, crisscrossed by waterways. All through the ages it has been richly endowed by nature with facilities for navigation.

As early as in the times of the states of Wu and Yue during the period of the Warring States, several canals were dug in the northern parts of the economic zone to develop water transportation. It began in 495 B.C. when Wu Zixu mobilized a large number of his people to dig a canal from Suzhou toward the northwest through Wuxi and ending at Wujin, connecting up with the Menghe River at Benniu, thence connecting up with the Changjiang River. Another branch, called "Xu's Creek," went in an easterly direction through Wuxian directly into the East China Sea. Later, canals were also excavated that connected the Xuan and Bai Rivers in southern Anhui Province with Lake Taihu. The State of Wu also dug the Xu River from Lake Taihu through Dingshanhu and Yanghu to Hangzhou, Jiaxing and Huzhou,

completion of these waterway engineering projects forcefully promoted the development of communications and transportation in the area under review. In Zuo Si's "Rhapsodic Poem on the Capital of the State of Wu," we read: "The peasants are prosperous, commerce is at its best, good profits are made when taking advantage of the proper occasions and there are huge numbers of carriages loaded with merchandise." In the "Chapter on the Loss of Wu" in Ge Hong's "Baopuzi" there is yet another entry: "The boats of the tradesfolk number in the thousands, and there are tens of thousands of granaries filled with tasteful grain." These statements reflect the scope of transportation and the prosperity of those days.

Later, after the opening of the canal from Jingkou (today's Zhenjiang) to Yuhang in the Jiangnan [south of the Changjiang River] area, the Grand Canal, which traverses our country from north to south, becomes the major communication and transportation route, linking the northern plains with the southern agricultural regions. This was a means by which a steady stream of the abundant produce from the Changjiang River delta was moved to the north. "Over 4 million dan of tribute rice from Jiangnan are annually shipped to the north by the Grand Canal to provide for the national capital. That which came from the five prefectures (refers to Suzhou, Songjiang, Changzhou, Jiaxing and Huzhou) made up almost half of what came from Jiangxi, Hunan, Guangdong and southern Zhili." This gives us an inkling of the wealth of Jiangnan and the scope of tribute rice transportation over the canal in those days.

In the Southern Song period, the East Zhejiang canal was dug (starting from Hangzhou in the west to Ningbo), which improved communications and transportation in the Shaoxing-Ningbo plain. At the same time, sea transport was also developed. Mingzhou (today's Ningbo) and Hangzhou became China's major ports for overseas trade in the Tang and Song periods. By the time of the Yuan Dynasty, there was another great development of sea transportation. Shipping lines at that time started from Taicang, passed out through the mouth of the Liuhe River and thence north past Chongmingdao Island into the sea, passing the counties of Tongzhou and Haimen. Because of the many shoals, silt and sandbanks, flat-bottomed boats sailing with the tides would pop up and disappear among the water-swept sandbanks, therefore being called "sand boats." In the second year of Tianli during the Yuan Dynasty (1329 A.D.), over 3.52 million dan of rice were shipped by sea. Following the Tang and Song Dynasties, the Changjiang River delta became the richest area of the whole country, and by the time of the Wanli reign in the Ming Dynasty, the area around Songjiang,

Shanghai, Jiading and Taicang had become an important cotton producing area. In Songjiang Prefecture, "over half of the 2 million mu of land reclaimed by officials, people, soldiers and saltfield workers was planted to cotton." It also happened in the Taicang and Jiading area that "30 percent was planted to rice and 70 percent planted to cotton." The Shanghai area advanced to become the largest cotton textile center of the whole country, shipping most of its products north by sea, and the transportation by the "sand boats" from Taicang, Jiading and Chongming rapidly increased in the wake of increasing production. Port Liuhe in the Taicang district, then also called "harbor of six nations," was the main seaport of departure for Zheng He, sometimes referred to as "Eunuch Sanbao," on his seven voyages to the western oceans.

After the Opium War, Shanghai and Ningbo were opened up as trading ports. In 1857, imperialism plundered the navigational rights on the Changjiang River and had Shanghai, located at the mouth of the Changjiang River, gradually take the place of Guangzhou as the largest import and export harbor of the country. Between 1850 and 1860, the tonnage of ships entering and leaving Shanghai was one-quarter of the total for the whole country. Following the invasion of capitalist forces, there was a rapid growth in railway construction. In a very short period at the beginning of this century, several railway trunk lines were built, the Shanghai-Nanjing railway, which runs right through the entire region, the Shanghai-Hangzhou-Ningbo railway and the Zhejiang-Jiangxi railway line, and at the same time many highways spread out from the cities to the numerous villages of the land.

After liberation, the region under review experienced a very dynamic development of communications and transportation. There is by now hardly any village or town that cannot be reached by boat or car. Shanghai has become the major hub of all communications and transportation throughout China, be it by sea, land or in the air. In 1982, the region had more than 960 km of railway lines, more than 17,500 km of highways and 16,800 km of inland waterways. The density of communication and transportation lines of the region in relation to its area showed it to be 4.3 times that of the country as a whole. The density of inland waterways alone was higher than that in any other area. The harbor of Shanghai has by now been built into the largest harbor of the country. In 1982, its cargo handling capacity made up 37.8 percent of the total capacity in all important ports along the coast. Beicang harbor is now China's largest specialized ore handling port. In addition, there are also within the borders of this region the seaports

of Ningbo, Zhenhai, Nantong, Zhangjiagang and a large number of inland ports along the waterways. In 1982, more than 400 million tons of cargo were transported throughout the region, this was 16.3 percent of all cargo transported throughout the entire country. In this quantity, the railways, highways and waterways shared at the rate of 8.3, 14.4 and 44.0 percent, respectively. In the same year, the cargo transported on the inland waterways of the economic zone accounted for more than 45 percent of all cargo transported on waterways throughout the entire country. This is one of the great superiorities of the Shanghai economic zone. Because of the great volume of economic activity, the number of passengers handled by the Shanghai economic zone in 1982 was 7.2 percent of the figure for the whole country, while its total population is only 4.9 percent of that of all of China.

Although all the cities and towns as well as the towns and the large number of villages in the Shanghai economic zone are interconnected by communication and transportation lines, and there is an unobstructed circulation of travelers and commodities, there are obvious discrepancies in the spatial distribution of the various transportation lines in the region. In 1982, every 100 square km of area had 76 km of various communication and transportation lines; Jiaxing, Suzhou and Wuxi had 63, 50 and 50 km, respectively, but the places with the least density were Changzhou and Hangzhou with only 40 and 37 km, respectively. There are also other discrepancies in the spatial distribution of the communication and transportation lines in the region. The density of highways is greatest in Shanghai Municipality, followed by the hilly and mountainous districts in the western and southern parts of the economic zone, where due to the rising and falling terrain transportation has to rely mainly on motor vehicles. Such is the case in the southwestern counties of Hangzhou Municipality, the western districts of Huzhou, the western counties of Changzhou and Wuxi Municipalities and the southern counties of Shaoxing and Ningbo Municipalities. All these are hilly areas where river beds slope steeply, making boat traffic difficult, so that there is no other alternative but to build roads through the mountains for highway traffic. On the other hand, in the Suzhou, Wuxi and Changzhou area, in the area of Nantong and Shanghai, in the Hangzhou-Jiaxing-Huzhou area as well as in the flat Ningbo-Shaoxing coastal plain, there are waterways as dense as a spider's web and a large number of lakes, making it of course less suitable terrain for highway construction than for deepening the channels provided by nature. The density of highways is therefore still low in the Nantong, Suzhou and the Hangzhou-Jiaxing-Huzhou area, but these areas

are far ahead in the entire economic zone when it comes to transportation by boat.

Special Characteristics of Our Current Communications and Transportation Situation

The following are the special characteristics of communications and transportation in the Shanghai economic zone:

(1) Transportation of Large Numbers of Passengers and Large Quantities of Goods, Rapid Increases in All Transportation.

Since the Shanghai economic zone is one of the most developed areas of industrial and agricultural production in China, there is an extremely large volume of economic contacts within and to and from the zone. The amount of cargo transported over every km of the zone's communication and transportation lines is 4.9 times more than that of the entire country; the proportions for each of the three types, the railways, the highways and the inland waterways, are 4.3, 7.4 and 2.3 times, respectively. There is at the same time a rapid increase in the transportation of materials within the zone. In the 30-odd years since liberation, the volume of commodities transported in Shanghai Municipality has increased an average of 10.8 percent every year. In Ningbo Municipality, the annual average increase in the volume of cargo transported during the period 1949-1982 was 12.2 percent. For the whole country the average annual increase in the volume of goods transported between 1949 and 1982 was only 8.6 percent, i.e. lower than the rate of increase in Shanghai, Ningbo and other municipalities in the economic zone.

There was also a rapid increase in passenger transportation in the Shanghai economic zone. During the period 1976-1982, the average annual increase in passenger traffic on the railways was about 10 percent, which is over 70 percent more than the rate of increase of passenger traffic on railways nationwide. Although the number of passenger coaches was increased in recent years by over 50 percent on all railway trunk lines of the zone, their number still cannot satisfy the needs of the developing traffic, and the discrepancy becomes particularly acute on holidays, at vacation time and during the tourist season. Similar situations prevail in passenger transportation on highways and waterways.

(2) High Proportion of Water Transportation and High Proportion of Fuel and Raw and Processed Materials Being Carried

The abundant and excellent conditions for water transportation are extremely beneficial to the development of water communications and transportation in the region. In 1982, the zone shipped 195,235,000 tons of goods by water, which accounted for 48.4 percent of the zone's total shipments of goods and for 44 percent of the total shipments by water throughout the entire country. Then again, the zone's shipments over the inland waterways accounted for 71.4 percent of its total shipments by water and amounted to 35.1 percent of all the shipments by inland waterways throughout the entire country.

The following table reveals that the zone's largest proportion of shipments by water was in the economic zone's Jiangsu areas where almost two-thirds of all materials shipped relied on the inland waterways; next are the areas of Zhejiang where 47.4 percent of all shipments were by water.

Shanghai Economic Zone Shipments By Water in 1982
(Quantities in 10,000 tons)

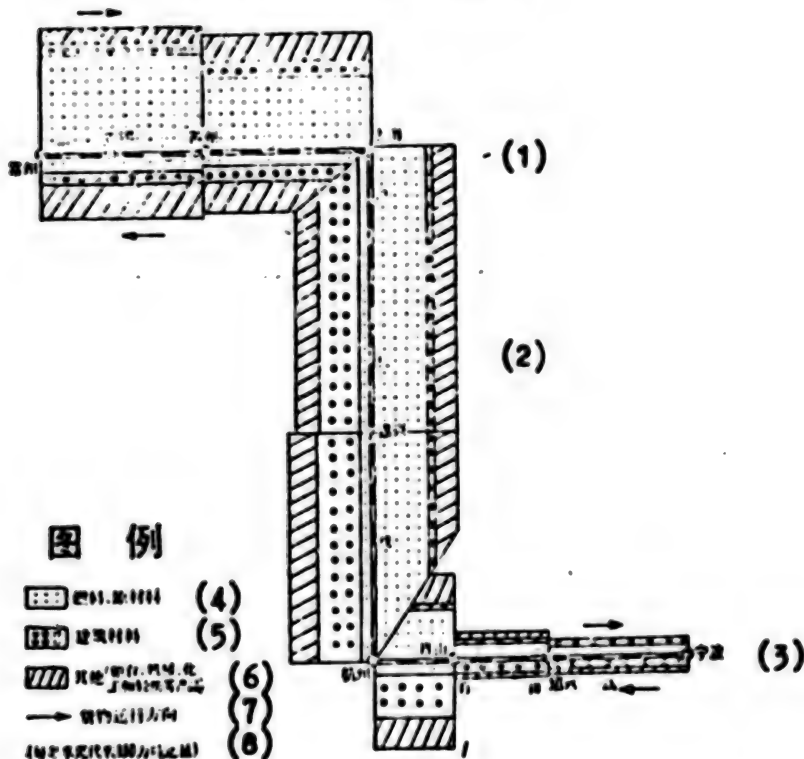
Areas	All cargo shipments		Shipments by water		Of these: by inland waterways	
	Total	%	Subtotal	%	Subtotal	%
Shanghai Municip.	21,153.00	100	8,763.0	41.4	3,381.0	16.0
Zhejiang Areas	9,839.29	100	4,695.9	47.4	4,622.8	47.0
Jiangsu Areas	9,300.88	100	6,064.6	65.2	5,944.6	63.9
Total EZ	40,293.17	100	19,523.5	48.4	13,948.4	34.6
% of All China	16.3		44.0		35.1	

The Shanghai economic zone is presently China's largest processing industry area. In maintaining and guaranteeing all production and development of the powerful industrial system of the entire region, the transportation of fuel and raw and processed materials that the zone is lacking, therefore, occupies an extremely important position. In 1982, shipments of fuel and raw and processed materials accounted for 27.8 and 43.8 percent, respectively, in the cargo shipments over the economic zone's railways. The most important items of fuel that were shipped into the zone were coal and petroleum; the

most important raw and processed materials were iron and steel, minerals and building materials. The most important items shipped out from the zone were manufactured goods. The same types of goods were also shipped by water and handled at the ports. In 1982, fuel accounted for 44.8 percent and raw and processed materials for 37.7 percent of goods transported by water in Shanghai Municipality, and these two items accounted for 79.4 percent of goods handled at the port of Shanghai and 86.7 percent of all goods handled at the port of Hangzhou. It is therefore necessary to bear these special conditions in mind when dealing with the development of communications and transportation in the said zone.

(3) Large Discrepancies in the Intensity of Commodity Circulation and the Imbalance between Incoming and Outgoing Cargoes

Due to the fact that different administrations are in charge of different areas of the Shanghai economic zone, and also due to various natural and historical reasons, certain discrepancies exist in the economic development of the region. In the whole region, Shanghai is economically most developed. Next comes the region of the four Jiangsu cities of Suzhou, Wuxi, Changzhou and Tongzhou, followed by the Zhejiang parts of the zone. This imbalance in economic developments is vividly reflected in the different intensity of goods circulation on the zone's railway trunk lines and the disparity in the incoming and outgoing quantities of goods (see "Table on Intensity of Goods Circulation on the Shanghai Economic Zone's Railway Trunk Lines"). The lines listed in the order of intensity of goods circulation are: the Shanghai-Nanjing line, the Shanghai-Hangzhou line and the Xiaoshan-Ningbo line. There is a very marked difference in the quantities of incoming and outgoing goods in the zone. The ratio of incoming to outgoing goods in the whole zone is more or less 100:56. In the Shanghai, Jiangsu and Zhejiang areas of the economic zone the ratio is 100:62, 100:22 and 100:81, respectively. Similar conditions prevail on the waterways and on the highways. In 1982, the ratio of incoming and outgoing goods at the port of Shanghai was 100:48. The reason why the ratio is comparatively large in the case of the Zhejiang part of the economic zone is that this area ships out large quantities of building materials (mostly sand and stone) and special agricultural and sideline products. The main reason for the comparatively low ratio in the case of the Jiangsu area is the considerable proportion taken up by the rather weightless output of the power generating, metallurgy and chemical engineering industries of Suzhou, Wuxi and Changzhou, but industries and enterprises with high fuel consumption. Because incoming



Density of Freight Flow on the Railway Trunk Lines
of the Shanghai Economic Zone, 1982

- (1) The Shanghai-Nanjing Railway Line
with the cities of Changshu, Wuxi, Suzhou, Shanghai.
- (2) The Shanghai-Hangzhou Railway Line
with the cities of Shanghai, Jiaxing, Hangzhou.
- (3) The Xiaoshan-Ningbo Railway Line
with the cities of Hangzhou, Xiaoshan, Shaoxing, Ningbo.
- (4) Fuel and Raw Materials
- (5) Building Materials
- (6) Other Cargo (Food, Machinery, Products of the
Chemical and Light Industry)
- (7) Direction of Freight Movement
- (8) One millimeter = 1.6 million tons of freight

goods exceed the quantity of outgoing goods in the said zone, cars or boats often have to travel empty on the zone's transport lines. The only way to change this uneconomical transportation situation is to continue to adjust the industrial structure, reduce consumption in the production processes, improve business management and take other similar measures, so as to gradually raise the utilization ration for all means of transportation.

(4) Passenger Transportation, Mainly Carried Out Over the Highways, Shows Large Disparities Throughout the Zone

In 1982, the number of departing passengers in the Shanghai economic zone exceeded 300 million person-times. This huge number of travelers relied mainly on motor vehicles to complete their journeys (see table).

Comparison of Means of Passenger Transportation Used
in the Shanghai Economic Zone in 1982 (%)

	Total	Railways	Highways	Waterways
Shanghai	100	72.8	8.3	18.0
Hangzhou	100	22.4	48.1	29.5
Shaoxing	100	12.8	71.9	15.3
Ningbo	100	6.8	83.5	9.7
Jiaxing-Huzhou	100	7.4	58.0	34.6
Changzhou	100	14.4	72.6	13.0
Wuxi	100	17.5	75.9	6.6
Suzhou	100	13.8	47.7	38.5
Nantong	100	-	63.5	36.5
Total	100	16.8	61.0	22.2

Passengers in the economic zone completed their journeys to 61 percent by highway transportation. The largest ratio is shown here for Ningbo where the ratio of highway travelers was 83.5 percent of all travelers. The ratio was above 70 percent in the case of Wuxi, Changzhou and Shaoxing. Shanghai had the lowest figure, a mere 8.3 percent. This demonstrates very clearly the differences in the means of transportation chosen by passengers in the economic zone. In the same year, travelers of the Shanghai Municipality completed their journeys 72.8 percent by train, while most of the travelers in Jiaxing, Huzhou, Suzhou and Nantong went by boat. This situation reflects the different distribution of the various means of transportation in the zone: Shanghai shows the greatest density of railways in the zone, Ningbo and Shaoxing have a greater density of highways, and in the Jiaxing area and in Suzhou City water transport is much preferred, because in

these areas there is a village every 3 miles and a town every 5 miles and people find distances not too far to travel by boat. In 1982, the average distance travelled by boat was 25 km, which is less than half of the same figure computed for the country as a whole.

Some Important Problems in Communications and Transportation and Major Measures To Solve Them

The following three major problems exist presently in the area of communications and transportation in the Shanghai economic zone:

(1) Port Construction Inconsistent With the Industrial and Agricultural Production and the Development of Overseas Trade

After liberation, the industrial and agricultural production in the Shanghai economic zone increased rapidly. In the 30 years, from 1952 to 1982, the industrial output value of the cities of Shanghai, Wuxi, Changzhou and Ningbo grew at an average annual rate of 9.4, 10, 10.1 and 13 percent, respectively. By 1982, the industrial output value of the entire zone had exceeded 106.4 billion yuan, or 19.1 percent of the total gross national industrial output value, making the zone one of China's areas of developed productive forces. This formidable industrial production brought about a sharp increase in the tonnage handled at the ports within the zone. In the port of Shanghai, the tonnage handled during the last 30 years increased 13.7 times, overseas shipments increased 39.2 times and passenger transportation increased 4.3 times, while berths along the shoreline of the harbor were increased by only about 30 percent and the piers for passenger traffic remained all along at the level of the 1950's. The port, therefore, is far from meeting the needs of transportation and shipping. Especially after 1976, when overseas shipments increased at the average annual rate of 11.9 percent, the shortage of port facilities became increasingly acute. The seaports of Shanghai, Nantong, Zhangjiagang and Ningbo presently have 123 workable berths, 54 of them are suitable for 10,000 ton vessels, and by 1982 their cargo handling capacity was two-fifth the total handling capacity of all of China's seaports. Apart from the Beicang and Zhenhai ports of Ningbo, that cannot yet be fully used, all other ports work with an overload on their wharf facilities. In 1982, the overload in the ports of Shanghai and Nantong was 28 and 48.5 percent, respectively. The pressure on harbor facilities and on the ships was therefore quite serious. In recent years, foreign ships spent over 60 percent of their stay in port

unproductively, thereby causing our state huge losses. To resolve this weak spot in the economic zone's transportation, that had already become evident quite some time ago, it is necessary to emphatically adopt the following measures:

First, the facilities of the ports of Beicang and Zhenhai should be fully utilized and rational diversions carried out, to achieve the goal of lightening transportation pressures on the port of Shanghai. Everyone knows that a port's cargo flow and hinterland are a reflection of the development of social productive forces. In the case of Shanghai, its present cargo flow and hinterland are equally the result of the development of China's social productive forces during the last 100 years. In whatever country it may be, the success or failure of a port, the changes in its cargo flow and hinterland are changes that invariably follow changes in the development and distribution of social productive forces and are changes that invariably follow changes in social needs. In the 30-odd years since liberation, the development of China's socialist economy and the changes in the regional distribution and in the structure of industrial and agricultural production have had a great impact on the cargo flow and the hinterland of the port of Shanghai. This influence will become even more pronounced in future. To alleviate the excessive load on the facilities of the port of Shanghai and achieve a rational utilization of the presently available special ore handling wharves at Beicang port and of the coal handling wharves at the port of Zhenhai, to divert some commodities away from the port of Shanghai, appears, from the viewpoint of the entire economic zone or from the viewpoint of macroeconomic effects, not only feasible but also rational. Because the port of Beicang is an engineering project in support of the Baoshan Iron and Steel Works, berths for 25,000 and 10,000 class ships have been built there, but are standing idle because the Baoshan works have not yet started up their production. The port of Zhenhai has now the capacity of handling 2.7 million tons a year, but for 1983 has been assigned only 1 million tons, thus being left with a large potential. There is also the fact that Zhejiang Province has for years imported on the average several million tons of coal, of which 1.25 million tons were transshipments through Shanghai. In 1981, China imported over 3.1 million tons of iron ore of which up to 1.25 million tons were transshipped through Shanghai to the Wuhan Iron and Steel Works and to the Banqiao Iron and Steel Works at Nanjing. If the work of transshipping the mentioned coal and iron ore would be taken on by the ports of Zhenhai and Beicang and transshipments effected by water to Nanjing and Wuhan, it would amount to diversions away from the overcrowded

port of Shanghai and at the same time make full use of the presently available facilities in these two ports. According to statistics, one-third of 3 million tons of sand and stone that Zhejiang Province is shipping to Shanghai comes from the Caojiang River. If that sand could utilize the empty coal cars from the port of Zhenhai, move the sand to the wharf and then ship it by boat to Shanghai, this would not only raise the utilization rate of the means of transportation but also lighten the pressure of freight shipments on the Shanghai- Hangzhou railway line. Although realization of these rational transportation plans is at present still obstructed due to the difference of zonal and departmental delineations and certain unfavorable factors of divided local authority, the situation could be resolved if it would be viewed from the standpoint of the beneficial results for the whole.

Second, increase the berths in the harbors, clarify the nature and functions of each harbor, bring the role of each harbor fully into play and raise the overall freight handling capacity. The Shanghai economic zone comprises very long shorelines along rivers and along the sea and possesses extended and fine bodies of water where suitable places could be selected for new harbors. The Zhejiang part of the zone has 4 deep-water harbors, and Jiangsu and Shanghai have also excellent coastlines where places could be selected for the building of harbors. The way of limiting oneself to only one spot is most likely not a good policy to solve the problem. If it is said that the construction of communications and transportation lines is bound up with the development of industrial and agricultural production in the economic zone, then the distribution of harbors will have a direct influence on the facilities for the transportation of the zone's materials. In 1982, the volume of freight to be handled at the harbors created by the industrial production of Shanghai, Hangzhou and Ningbo of an output value of 100 million yuan was 141,000, 89,000 and 87,200 tons, respectively. In the same year, the cargo created by the industrial output of a value of 100 million yuan to be shipped by water was 137,600 tons in Shanghai, and in the Jiangsu and Zhejiang areas of the zone 238,100 and 271,300 tons, respectively. To accomplish the rational transportation of the above mentioned materials by water and coordinate this work with the development of industrial and agricultural production, the most urgent demand is to render the distribution of the hub of all water transportation, namely the harbors, more rational. There are at present innumerable examples in the economic zone for the adverse effects on materials movements by the fact that port constructions lag behind developments or are being distributed

irrationally. The economic zone must, therefore, start drawing up a harbor plan of a regional nature, determine the character of each harbor, determine which are to be harbors of a comprehensive nature and which are to be harbors of a specialized nature, which are to be mainly destined for foreign trade and which mainly for inland trade, etc. Only by building a series of large, medium and small harbors with clearly defined functions will it be possible to accomplish successfully the complex and difficult task of transportation in the economic zone, which otherwise will be impossible.

(2) Difficulties in Navigating the Inland Waterways, Adverse Effects on the Further Improvement of Our Advantages in Water Transportation

Due to the serious natural silting up of waterways, the general problem with most of the waterways in the economic zone is that they are too shallow, too narrow and too tortuous, which creates difficulties for navigation. According to statistics, in 1982, 60 percent of the navigational channels of the economic zone had a depth of less than 1 meter, and the percentage was even as high as 72.5 percent in the four cities of Suzhou, Wuxi, Changzhou and Nantong. At times of low water in the waterways of the Zhejiang areas belonging to the economic zone, the base of the waterways was less than 5 meters, and 4,076.4 km of waterways were suitable for boats of less than 30 tons, while only a little over 580 km of waterways were suitable for boats of 50 or more tons, which is only 8.5 percent of the total length. In case of the Zhejiang areas, the figures are 79.8 and 14 percent, respectively. The more than 300 km of the Jiangnan Canal can only be navigated by 40-100 ton-class towed-boat fleets, and the East Zhejiang Canal after dredging can only be navigated by boats up to 30 tons. The reasons for the silting of the waterways in the Shanghai economic zone are: destruction of vegetation in the upper reaches of the waterways causing serious soil erosion, much accumulation in the waterbeds of silt and mud that silt up the waterways and reduce their depth. In the past, when water conservancy was carried out for agricultural purposes, little consideration was given to navigation. Many bridges were built too low for boats to pass. The building of some sluice-gates and dams even aggravated the rapid silting of the waterways, one example being the large Yaojiang River sluice-gate in the Ningbo area. The waterways of the economic zone are under the jurisdiction of two provinces and one municipality and there is no unified planning and control, and also no unified management of dredging operations, so that different standards of width and depth apply to the waterways.

All this has an adverse effect on the ability of boats to use these waterways, and it obstructs the further improvement of our advantages in water transportation. In the wake of the rapid development of industrial and agricultural production, the tasks that we face in communications and transportation are bound to become increasingly complex and important. To satisfy the needs of our developing national economy, it is imperative to establish a special organization for the control of navigational canals and to provide a certain technical work force for this purpose, who should, as soon as possible, draw up a plan for the navigational waterways of the entire region. On the basis of a unified plan and based on the needs of the industrial and agricultural production in the region, they should undertake dredging, by stages and in sections, of the main navigational waterways (such as the Jiangnan Canal), of the general waterways (such as the East Zhejiang Canal) and of the branch waterways in counties and villages. Uniform standards for width and depth of waterways of the same category should be established to increase efficiency in water transportation within the zone. At the same time, preservation and water and soil conservation work must be carried out, to reduce the sediment carried by the water and preserve the navigational capacities of the waterways. This is the only way to have transportation by waterways play a more important role in the economic zone.

(3) Inability to Effect a Coordinated Development of the Various Ways of Communications and Transportation Adversely Affects Efforts to Raise the Comprehensive Transportation Capacity

The inability to mutually coordinate the various ways of communications and transportation in the Shanghai economic zone adversely affects all efforts at improving the comprehensive transportation capacity. If this situation is not mended, the deterioration is bound to get constantly worse.

Railway transportation appears to be weak. One of the reasons is that for a long period of time, growth of railway construction has slowed down. In 1982, the ratio of the zone's mileage of railways, highways and inland waterways was 3:50:48. Passenger and freight transportation on the railways also lagged behind that of the highways and waterways, and that ratio was even lower than the figure for all the railways of the country in relation to all ways of transportation. The length of all railway lines in the economic zone is only 2.7 percent of the total length of all the zone's transportation lines, lower than the figure of 4.7 percent for the whole

country. During the last half century, the railway lines in the economic zone have been extended by only about one-quarter, while passenger and freight transportation in the economic zone since liberation has doubled and redoubled. For instance, during the period 1951-1982, freight on Shanghai's railways increased 6.4 times. Following the vigorous development of the urban and rural economies and the government's policy of opening up the country, the passenger traffic on the region's railways since 1976 has grown at an average annual rate of over 10 percent, hence the glutted conditions on the trunk railway lines of the zone. A second reason is the lack of coordination between seaport construction and railway construction. The construction of deep-water harbors at Zhenhai, Beicang and Zhangjiagang was not coordinated with the building of connecting branch railway lines. The assembly and distribution of goods at these large-scale deep-water ports is now relying on motor vehicles, small tonnage steamboats and barges or motorized junks. Their limited transport capacity and speed adversely affects all efforts to raise the comprehensive transportation capacity of the whole region. This incongruity has become increasingly acute particularly in the last few years that saw the upswing in China's foreign trade which caused the tonnage of freight at all seaports to rise steeply. A third reason is that the railways inside the zone cannot achieve a well-linked network with the railways of the neighboring regions. This has an adverse effect on the interflow of commodities between the zone and all areas outside the zone. The trunk railway lines inside the economic zone are still the Shanghai-Nanjing, Shanghai-Hangzhou and the Xiaoshan-Ningbo lines, in the shape of the letter Z. The railway trunk lines adjoining the economic zone are, as of old, the two lines built at the beginning of this century, namely the Shanghai-Nanjing and the Zhejiang-Jiangxi line. In their spatial distribution these railway lines still do not constitute a true network, and this adversely affects to a certain degree the efforts to improve railway transport capacity. It would therefore have an active promotional effect on the achievement of a railway network for the economic zone, also the improvement of railway traffic within the zone, particularly also on a reduction of pressures on the Shanghai-Nanjing and Shanghai-Hangzhou lines, and on a strengthening of links between the zone and the neighboring regions, if through traffic railway lines would be built from Hangzhou to Nanjing, from Hangzhou to southern Anhui Province and also branch lines to all seaports.

The lack of coordination between the construction of inland waterway ports and the developments in water transportation

have also had an adverse effect on raising the comprehensive transport capacity of the economic zone. A large number of larger and smaller inland waterway ports are spread all over the Shanghai economic zone. The four cities of Suzhou, Wuxi, Changzhou and Nantong have almost 100 major inland waterway ports, Ningbo Municipality has 27, Shaoxing Municipality has over 30 These numerous ports are the zone's commodity transfer stations, are distribution stations for urban and rural industrial and agricultural products and are at the same time indispensable links in the transportation network. The condition of these places will have a direct influence on the future development of water transportation and an influence on the prosperity of the urban and rural economy. Most inland waterway ports of the zone are in general experiencing the problems of lack of wharves, lack of loading and unloading machinery and insufficient warehouse and storage space. Boats are therefore anchored for long periods of time, the turnover of goods is slowed down, and this, consequently, obstructs efforts to further improve water transport capacity. Especially in the case of the wharves of city and town harbors along waterways, since they are frequently located on both banks of the city district's waterway and since these waterways are narrow but frequented by much boat traffic, traffic jams frequently occur and also an endless number of traffic accidents, which every year cause the state very high economic losses. To guarantee a healthy development of water transportation in the economic zone, it is necessary to organize a force to carry out an investigation of all the hundreds of inland waterway ports of the entire zone and to draw up a comprehensive and feasible development and construction plan, to construct, in a planned way and in stages, key inland waterway ports at such cities as Changzhou and Wuxi, so as to provide for the smooth and unobstructed transshipment of commodities to the benefit of the development of the zone's industrial and agricultural production.

This shows that the comprehensive transport capacity of all communications and transportation of the economic zone is a yardstick by which the development and construction of railways, highways and waterways can be measured, as it would also be the result of the development of coordination between the seaports and the inland waterway ports. For this reason it is absolutely essential to give this matter ample attention in order to assist the rapid development of the industrial and agricultural production of the economic zone.

In the course of compiling the above article, we were greatly assisted by the various planning commissions and statistics

bureaus of the Shanghai economic zone. We also received valuable suggestions from Comrades She Zhixiang [0152 0037 4382] and Ma Xiangyong [7456 3276 0737]. To all, we express herewith our profound gratitude.

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CSO: 4006/11

ECONOMIC PLANNING

SHANXI GOVERNOR MAPS OUT DEVELOPMENT PLAN FOR PROVINCE

HK040800 Beijing CHINA DAILY in English 4 Oct 84 p 2

[By Huo Zhenyi]

[Text] Taiyuan--In a bid to modernize Shanxi Province at a faster pace, Governor Wang Senhao has mapped out a grand plan for developing the province's natural resources, transport, education and industries.

With a known deposit of 22 billion tons, Shanxi's coal production is expected to reach 250 million tons by 1990 and 360 million tons by 2000.

The province is expected to produce 160 million tons of coal this year, about one-fifth of the country's total, the governor said. Shanxi supplies 70 percent of the provinces, municipalities and autonomous regions with more than 100 million tons of coal, Wang said.

--More than half a dozen railways and 10 highways are planned or already under construction.

--Shanxi, in cooperation with foreign countries, will be turned into a heavy chemical-industrial centre, using coal as its raw materials.

--Millions of yuan will be spent on education including the building of 10 new higher education institutions by 1990.

Improved production will largely depend on Shanxi's transport, according to the governor.

Now, 83.9 percent of the province's railways are used to carry coal. Many of its other mineral resources, such as bauxite, iron, copper and gypsum cannot be moved out because the railways cannot cope.

There are six railways in Shanxi with an annual carrying capacity of 120 million tons, but there has been an annual backlog of 25 million tons of coal waiting to leave the province's 3,000 mines, Wang said.

The central and provincial governments are meanwhile expanding and improving the province's highway network.

Four railways are now under construction. The Datong-Qinhuangdao Electric Railway, which will be used to carry coal from the province to the port city of Qinhuangdao on China's eastern coast; scheduled to open in 1987. The railway will be capable of transporting 60 million tons a year by 1988, and 230-260 million tons by 1990, when a second phase is completed.

Construction of the Xiaoyi-Liucun Railway will begin in 1986. The governor said the railway would play a key role in moving out goods and coal in northern Shanxi. The province also intends to build a big electric power plant there.

Two more planned railways--Shuoxian-Shijiazhuang and Houma-Yueshan--will enable the province to transport 400 million tons a year by the year 2000, the governor said.

Four of 10 highways planned for Shanxi are expected to open next year, while the rest should open in 1987.

After the 10 highways are completed, they will carry 36 million tons of foreign, compared with 12 million now. [Sentence as received]

The province will cooperate with the state of Westphalia of Federal Germany, which will provide advanced technology in the building of chemical factories and research institutions, the governor said. The province will produce coal tar and process fine coal for domestic use.

In addition, Shanxi will seek assistance from the Italian Eni Group to construct a plant to produce 300,000 tons of methanol a year. Wang said the Italian group would collaborate with Shanxi in doing a feasibility study on the methanol project.

During the Seventh 5-Year Plan (1986-1990), 200 million yuan would be spent on education.

Ten higher education institutions are planned by 1990 and about 106 million yuan will be pumped into education in the next 2 years. About 1 million students will graduate from universities and colleges by 1990.

To gain better economic results, most Shanxi factories will have to be updated, Wang said. During the Seventh 5-Year Plan, efforts will centre on upgrading the existing enterprises rather than building new ones. Most of the province's factories will be brought up to date during the 19902 [sentence as received].

To import advanced technology and equipment, the province plans to hold an international symposium on technology and economy in Taiyuan, the provincial capital, next year.

The province will establish regional cooperative ties with other provinces or cities and sponsor a meeting this month to bring in new technology and equipment from 14 coastal cities which have access to foreign countries, and from other large cities, in return for coal.

The welfare of factory and office workers also concerned the provincial government, the governor said. An annual average of 120 million yuan would be spent on building homes in urban areas, Wang said. In addition, the construction of theatres, modern hotels and gymnasiums was under consideration.

ECONOMIC PLANNING

BRIEFS

XINJIANG CEMENT PLANT--According to the regional Building Materials Industry Bureau, the state and region will jointly expand the Xinjiang cement plant, with the approval of the State Planning Commission, in order to accelerate the development of the building materials industry in the region. The expansion project of the Xinjiang cement plant is a major one in the region's 7th 5-Year Plan. The project includes expanding a [words indistinct] production line with a daily production capacity of 2,000 tons and a limestone quarry with an annual production capacity of 1.2 million tons. Of the limestone, 380,000 tons will be used for the expansion project. [words indistinct] The important equipment and instruments for the production line will be imported from foreign countries. It is a new project at the level of the 1980's. Following the completion of the expansion project, the region will increase the annual production of cement to 800,000 tons, or about equivalent to doubling the present production capacity of the Xinjiang cement plant. [Text] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 21 Oct 84]

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AGGREGATE ECONOMIC DATA

JANUARY-SEPTEMBER ECONOMIC ACHIEVEMENTS REPORTED

OW291326 Beijing XINHUA in English 1206 GMT 29 Sep 84

[Text] Beijing, 29 September (XINHUA)--China registered marked economic growth in the first 9 months of this year--a situation rarely seen in the past, a leading official of the state economic commission said.

"An increase of over 10 percent was achieved in industrial output value during the 9-month period," he said.

Of the country's 100 major industrial products, 40 have already met quotas set for 1985 under the Sixth 5-Year Plan (1981-85). Output of 80 products rose over the same period in 1983.

Light industry accounted for 49 percent of all industrial production and heavy industry 51 percent.

Energy production also topped monthly targets, the official said, with coal output exceeding state plans by nearly 40 million tons.

Petroleum industry topped its 9-month quotas by 4.6 million tons, while power industry exceeded planned output by 11 billion kilowatt-hours.

Energy conserved in the first 9 months of this year was equivalent to 15 million tons of standard coal, the official said.

Substantial increases were registered in production of textiles, electronics and light industrial goods, he added.

Increases of 41 percent to 150 percent were registered in output of tape recorders, washing machines, electric fans, color televisions and refrigerators from January to August.

A total of 11.4 million bicycles were built by nine best-known factories during the first 9 months of 1984--more than 60 percent of the national total.

More than 4,000 new textile and light industrial goods were produced during the period.

Production of pig iron, steel and rolled steel all topped 9-month quotas by more than 3 million tons, cement by 4.65 million tons and plate galss by 2.8 million standard cases.

Big increases were also notched in output of small tractors, motor vehicles, food processing machines, power generating equipment, and electric wire and cables. All were still in short supply, the official said.

China's railways carried 900 million tons of cargo and 800 million passengers in the first 9 months of this year--both exceeding state quotas--while transport departments shipped 7 million more tons of coal than in the same period in 1983.

Congestion at seaports was basically eliminated in 1984, the official said, noting that the economic performance of industrial businesses also improved considerably.

State revenue rose by 18.8 percent in the first 8 months of this year, compared with a 10.7 percent increase in industrial output value by enterprises covered by the state budget and a 12.7 percent increase in their taxes and profits.

Per-capita labor productivity was up 8.4 percent over the same period a year ago, the official said.

CSO: 4020/19

AGGREGATE ECONOMIC DATA

XINHUA EXAMINES PRC LIGHT INDUSTRY DEVELOPMENT

OW221241 Beijing XINHUA in English 1031 GMT 22 Sep 84

[XINHUA headline: "PRC: Readjustment and Reform Spur China's Light Industry"]

[Text] Beijing, 22 September (XINHUA)--China's rapid expansion of light industry since 1979 is changing people's consumption patterns.

Light industry total output value in 1983 was up 70 percent from 1978, giving an average annual increase of 11.2 percent, and was slightly above this in the first 8 months of 1984. Value inched up to just under half of all industries in 1983, compared to 42.7 percent in 1978.

Retail sales showed an average annual increase of 12.8 percent, giving a 1983 increase of 82.8 percent over 1978. The average rate between 1953 and 1978 was 6.9 percent.

Rationing of cloth, sugar and many other items has been dropped.

According to the State Statistical Bureau, China produced 23.3 percent less cotton cloth in the first 8 months of this year than in the corresponding period of last year. In the meantime, output of chemical fabrics went up 18.1 percent, silk fabrics, up 16.2 percent, and woolen textiles, up 25.6 percent, as demand grew.

Such high-grade consumer goods as washing machines, refrigerators, electric fans, color television sets and cameras are in great demand in the cities. Sales have increased anywhere from 27 percent to 61.6 percent.

In the first 8 months of this year, China produced 5.96 million television sets--an increase of 47.4 percent compared with the same period of last year. Of these, 679,000 were color television sets, an increase of 150 percent. China also produced 271,000 refrigerators, 140 percent more than the corresponding 1983 period. But this still falls far short of demand.

Milk, ice-cream and soft drinks have become daily consumables for large members of families in the urban areas. Soft drinks and beer are now available in rural areas, and this demand has skyrocketed. More and more people are wearing stylish clothes made of silk or wool. Beijing, Shanghai and other large cities have held garment sales exhibitions and fashion shows since 1979.

The state has given priority to light industry in the supply of raw materials and energy, in providing loans, in investment in capital construction projects, in allowing the use of foreign exchange, in the import of technology and in transportation.

Agriculture is providing more raw materials and the new chemical and plastics industries are expanding.

The ministry of light industry has entered into 17 joint ventures with the United States, France, the Federal Republic of Germany and Japan, involving a total investment of 30 million U.S. dollars. There are more than 380 construction and technical transformation projects making use of foreign loans.

Several hundred million U.S. dollars of foreign exchange have been used to import production lines and key equipment.

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AGGREGATE ECONOMIC DATA

FACTS, FIGURES ON LIGHT INDUSTRIAL PRODUCTS

HK240623 Beijing RENMIN RIBAO in Chinese 17 Sep 84 p 1

["Facts and Figures" column based on Materials Supplied by the Ministry of Light Industry: "Light Industry Departments and Affiliated Organizations Put an Average of More than 5,000 kinds of New Products On the Market Each Year"]

[Text] In 1983, the gross industrial output value of the Ministry of Light Industry and its affiliated organizations was 119.49 billion yuan, 19.4 percent of the country's gross industrial output value and a 52.9 percent increase over 1978, with an average rise of 8.9 percent each year. The profits and taxes realized this year amounted to 25.7 billion yuan, 21.3 percent of the total industrial profits and taxes realized in the country and a 38.2 percent increase over 1978, with an average rise of 6.7 percent each year.

In 1983, the domestic market retail sales volume of the Ministry of Light Industry and its affiliated organizations was 89.3 billion yuan, 31.3 percent of the retail sales volume of social products and a 99.6 percent increase over 1978, with an average increase of 14.8 percent each year.

Over the past 35 years, the Ministry of Light Industry and its affiliated organizations have developed a number of new trades, and since the Third Plenary Session, the output in these new trades has doubled. Wrist watches increased by 126.7 percent, sensitive film by 63.6 percent, synthetic detergent by 108.9 percent, household refrigerators by 1,040 percent, and household washing machines by 550 percent. Since the founding of the PRC, there has been even faster development in the production of consumer durable goods. In particular, the output of both bicycles and sewing machines has increased by more than 1,000-fold, ranking first in the world in terms of annual output. In 1983, the daily output of the bicycle industry was 5.4 times its annual output in 1949, and the daily output of the sewing machine industry was 6.6 times its annual output in 1949.

Since the Third Plenary Session, each year the Ministry of Light Industry and its affiliated organizations have put on the market an average of 5,000 kinds of new products with some 10,000 new designs. Their quality has been constantly improved. From 1979 to 1984, the Ministry of Light Industry and its affiliated organizations won 75 state quality product gold awards, 37 state quality product silver awards, 29 state arts and crafts gold cup awards, and 46 state arts and crafts silver cup awards.

AGGREGATE ECONOMIC DATA

PRC STATISTICS ON INDUSTRIAL PRODUCTION, TRANSPORT

HK020831 Beijing JINGJI RIBAO in Chinese 24 Sep 84 p 2

[Report: "Main Statistics on Industrial Production and Transport in August this Year"--provided by the State Statistical Bureau]

[Text]

	<u>Jan to Aug 1984</u>	<u>Aug 1984</u>	<u>Jan to Aug 1984 expressed as a percentage of same period last year</u>
Gross industrial			
output value	445.1 billion yuan	57.53 billion yuan	112.2
Light industry	217.66 billion yuan	27.5 billion yuan	111.8
Heavy Industry	227.44 billion yuan	30.03 billion yuan	112.6
Bicycles	18.2798 million	2.2985 million	104.0
Sewing machines	6.2944 million	751,900	87.2
Watches	23.51 million	3.03 million	100.7
TV sets	5.9647 million	847,500	147.4
Radios	16.2546 million	1.673 million	136.9
Recorders	4.0975 million	661,800	141.6
Household washing			
machines	3.4187 million	516,000	145.7
Cameras	774,100	114,000	127.1
Electric fans	11.6068 million	1.6128 million	161.6
Household			
refrigerators	271,443	49,176	240.0
Chemical fibers	445,800 tons	52,000 tons	132.0
Yarn	2.1508 million tons	276,700 tons	97.1
Cloth	9.121 billion meters	1.116 billion meters	91.3
of which			
Synthetic fabrics	3.882 billion meters	502 million meters	118.1
Silk	730 million meters	99 million meters	116.2
Woolen fabrics	110.56 million meters	15.62 million meters	125.6
Knitting wool	71,600 tons	9,100 tons	110.6
Sugar	2.5579 million tons	0	92.9
Raw salt	11.402 million tons	1.023 million tons	102.9
Cigarettes	12.489 million boxes	1.739 million boxes	109.2

Beer	1.5391 million tons	279,500 tons	136.0
Machine-made paper and paperboards	4.6778 million tons	636,300 tons	113.1
Bulbs	904 million	115 million	112.4
Raw coal	497.268 million tons	63.425 million tons	110.0
Crude oil	74.981 million tons	9.821 million tons	106.9
Natural gas	7.984 billion cubic meters	992 million cubic meters	98.2
Generated power	245.73 billion kwh	31.59 billion kwh	107.0
of which			
Hydropower	57.34 billion kwh	8.62 billion kwh	101.5
Pig iron	26.657 million tons	3.386 million tons	107.7
Steel	28.627 million tons	3.549 million tons	108.8
Rolled steel	22.2371 million tons	2.7981 million tons	110.6
Coke (industrial)	23.9364 million tons	3.029 million tons	105.5
Sulfuric acid	5.6087 million tons	633,200 tons	98.8
Soda ash	1.2369 million tons	144,900 tons	105.9
Caustic soda	1.4739 million tons	182,300 tons	104.5
Chemical fertilizers	9.8616 million tons	1.2154 million tons	106.4
Chemical medicine	39,400 tons	5,500 tons	118.3
Farm chemicals	233,700 tons	25,800 tons	94.9
Cement	77.213 million tons	10.485 million tons	113.1
Plate glass	30.0039 million standard boxes	3.9805 million standard boxes	112.9
Generating equipment	2.0688 kilowatts	314,500 kilowatts	210.4
Metal cutting machine tools	85,500	11,300	109.9
Motor vehicles	195,400	27,400	123.9
Hand-held tractors	442,500	59,800	136.4
Locomotives	445	59	112.1
Railway goods trans- port volume	806 million tons	102 million tons	104.8
Volume of goods trans- ported by ships under Ministry of Communi- cations	112 million tons	15 million tons	110.5

CSO: 4006/37

AGGREGATE ECONOMIC DATA

RENMIN RIBAO ON PROGRESS OF CHINA'S STEEL INDUSTRY

HK270543 Beijing RENMIN RIBAO in Chinese 23 Sep 84 p 1

["Facts and Figures" column: "China Ranks as the World's No 4 Steel Producer"
—passages within slantlines published in boldface]

[Text] Over the past 35 years there has been a comparatively rational distribution of the steel industry in China, which is characterized by the integration of large, medium, and small steel enterprises and the establishment of a comparatively complete production system with an annual production capacity of more than 40 million tons.

/Faster production speed./ In 1983, steel output reached 40.02 million tons. The output of pig iron and rolled steel was 37.38 million tons and 30.72 million tons respectively. China ranks as the world's No 4 steel producer, and its steel output is second only to that of the Soviet Union, Japan, and the United States. From 1952 to 1983 the average annual growth rate of steel was 11.6 percent. From 1949 to 1983, the accumulated steel output was 550 million tons, and the accumulated output of pig iron and finished steel products was 580 million tons and 390 million tons respectively.

/Regional distribution has been improved./ Shortly after liberation, steel production was mainly concentrated in the coastal cities and the northeast region. Steel output in the southwest and northwest regions only accounted for 3.8 percent of the total output. In 1983 steel output of these two regions accounted for 12.5 percent of the total output. At present, there are 13 integrated steel complexes with an annual output exceeding 1 million tons, which are distributed over various large regions other than the northwest region.

/Quality has been enhanced and variety increased./ During the initial period after the founding of the People's Republic, China could only produce more than 100 kinds of steel products, and rolled steel with than 400 specifications. Today, China can produce more than 1,000 kinds of steel products, as well as rolled steel with more than 20,000 specifications. An alloy steel series with the characteristics of China's natural resources have been initially established. The output of alloy steel has reached 2.79 million tons, accounting for 7 percent of the total steel output. The output of low-alloy steel is 4.62 million tons, accounting for 11.5 percent of the total steel output. Many products such as oil pipes, shipbuilding plates [zao chuan ban 6644 5307 2647] and others are manufactured according to international standards.

/Energy consumption has considerably dropped./ In recent years energy consumption for producing iron and steel has been markedly reduced. In 1983, the overall energy consumption of standard coal per ton of steel was reduced to 1.849 tons, 670 kilos less than the 2.52 tons of 1978. The steel output of iron and steel enterprises in 1983 went up by 8.14 million tons, an increase of 27.8 percent over 1978. However, the total consumption of standard coal dropped by 4.67 million tons, a decrease of 6.3 percent.

/Economic results have been constantly enhanced./ In 1983 the profits and tax turned over by the steel industry were 9.43 billion yuan, an increase of 4.43 billion yuan (89 percent) over 1978. Such an amount was higher than the increase in output value. In 1978, the local medium and small-sized iron and steel enterprises suffered losses of 630 million yuan. However in 1983 they made a profit of 1.19 billion yuan.

CSO: 4006/37

AGGREGATE ECONOMIC DATA

INLAND WATERWAY SHIPPING CONTRACTS TESTED

OW231209 Beijing XINHUA Domestic Service in Chinese 0801 GMT 20 Sep 84

[By reporters Gu Honghong, Lin Nan]

[Excerpts] Nanjing, 20 September (XINHUA)--A contract system for inland waterway shipping is being tested in China. At a recent forum in Wuxi, Jiangsu, on China's inland waterway vessels contract system, the Inland Waterway Bureau of the Ministry of Communications maintained that the contract system for inland waterway vessels is vital to China's inland waterway shipping.

According to incomplete statistics, there are some 120,000 state or collective owned inland waterway vessels with a total tonnage of approximately 7 million dun. The majority of them are small vessels of 100 dun or less operated by a crew of from three to five members.

At present, various forms of contract systems are competing with one another in inland waterway shipping across the nation. Besides state-owned vessels being contracted out to collectives, there are family contracted vessels known as "husband and wife ships" as well as contracted fleets growing up from single vessel contracts. In some localities, because there are more vessels than crews to operate them, local peasants contract vessels share profits earned. At present, although the various forms of contract systems are still far from perfect, they nevertheless have aroused the crew members' enthusiasm, helped promote inland water shipping, and demonstrated great vitality.

CSO: 4006/37

AGGREGATE ECONOMIC DATA

REFORMS BOOST YANGTZE RIVER SHIPPING VOLUME

OW240756 Beijing XINHUA in English 0707 GMT 24 Sep 84

[Text] Wuhan, 24 September (XINHUA)—Freight volume on the Yangtze, China's longest river, reached more than 63 million tons in the first 7 months of this year, a 13.8-percent increase over the same period of last year.

This marked progress is due to management reform enacted in the past year aimed at breaking the rigid regional barriers and encouraging individually-run shipping services, according to Tang Guoying, director of the Yangtze River Navigation Administration.

Previously, shipping along the main course of the 6,300-km river was solely controlled by enterprises directly under the central authorities, while local enterprises could only handle shipping along relevant sectors of the river and the tributaries. Moreover, no individual shipping services were allowed up until a year ago, Tang said.

As a result, goods despatched by local shipping companies had to be transferred through several administrative sections before reaching the final destination, so costs were high and efficiency was low, he added.

Since the reform plan was approved by the State Council in March 1983, local as well as individual ships have been able to move goods directly from the tributaries to their destinations along the Yangtze.

The total freighter tonnage on the river increased from 4 million tons to 6 million tons, the director said.

There have appeared 128,000 individually-owned cargo boats with a total tonnage of over 1.8 million DWT.

Now, a comprehensive shipping network has been formed on the Yangtze River system, and major ports along the river, such as Nantong, Nanjing, Wuhan, and Chongqing, can now ship export goods directly to overseas destinations.

CSO: 4020/19

AGGREGATE ECONOMIC DATA

SHANDONG INDUSTRIAL ACHIEVEMENTS REVIEWED

SK241200 Jinan DAZHONG RIBAO in Chinese 12 Oct 84 p 2

[Excerpts] Recently, this reporter visited an exhibition displaying Shandong Province's industrial achievements. With convincing figures, and vivid color photos, articles, and models, the exhibition reflected, in a concentrated manner, the tremendous achievements of the provincial industrial, communications, and capital construction fronts since the founding of the PRC, particularly since the 3d Plenary Session of the 11th CPC Central Committee.

On entering the comprehensive exhibition hall, the first things greeting the reporter's eyes were many illuminated charts with multicolored figures showing that the province's total industrial output value in 1983 was 40.56 billion yuan, an increase of 50 times over 1949, ranking fourth in China. The proportion of industrial output value in the overall industrial and agricultural output value rose from 29 percent in the early period of the PRC to 61 percent. In the past 35 years, industrial enterprises across the province handed over to the state some 75.2 billion yuan in profits and taxes, exceeding the state's total investment in fixed assets during this period by 2 times. Fair-sized township enterprises have been developed across the province. The industrial output value turned out by township enterprises in 1983 was 1.3 times the province's total industrial output value in 1965 and the proportion of the export of manufactured goods in the province's total export volume increased from 7 percent in 1950 to 73 percent. A fairly complete industrial structure has taken shape in the province. Industrial departments have played a dominant role in the province's economy.

The production capacity of provincial industry is increasing every day. In coal industry, we increased the production capacity by some 34 million tons and the annual output increased 25 times over that of 1949. The crude oil extracting capacity reached some 26 million tons and the capacity of power generation units increased 4.05 million kw, up 104 times over 1949. The output of 23 products in the province, including gold, diamonds, marbles, internal-combustion power generation units, daily-use glass products, synthetic leather, conveyor belts, crude salt, matches, and methylbenzene, ranked first in China. As a result of large-scale construction, some 170 newly constructed large and medium-sized enterprises, including the Shengli oilfield, the Qilu petrochemical company, the Shandong aluminium plant, and the Yanzhou mining district, have been established in Shandong. The province as a whole has newly constructed some 660 km of railway trunk lines, increased port handling capacity by some 16 million tons, and formed a

communications network focusing on railway, highway, and inland water and ocean transportation. The total volume of postal and telecommunications business increased 29 times over the early period of the PRC. The living standards of the people improved markedly along with the industrial development. In 1983, every 100 staff families in the province had an average of 87 television sets, 173 bicycles, 250 watches, and 87 sewing machines. These changes fully displayed the incomparable superiority of the socialist systems and convincingly proved the correctness of the line set forth by the 3d Plenary Session of the 11th CPC Central Committee. This line will surely lead us from victory to new victory.

The exhibition displayed many pictures to prominently show the unprecedented excellent situation in the province's industrial and communications front since the 3d Plenary Session of the 11th CPC Central Committee. Through readjustment, the proportion of the province's light and heavy industries is becoming more balanced every day. The proportion of light industry in the total industrial output value increased from 45 percent in 1978 to 55 percent in 1983, while that of heavy industry dropped from 55 percent to 45 percent. Of this, the proportion of the textile industry in the total industrial output value rose from 13.2 percent to 20.8 percent, and that of the machinery industry dropped from 24.1 percent to 19 percent.

Over the past few years, the small chemical fertilizer enterprises throughout the province have changed their passive situation of long-standing losses and turned Shandong Province, the first money-losing province of the country in terms of chemical fertilizer production, into the second-ranking province of the country, one which has scored great profits in this regard, thanks to making readjustments and rearrangements, improving the managerial systems, and conducting enterprise consolidation in an overall way and technical renovations in a systematic manner.

Following the establishment of the provincial metallurgical industrial general company, profits of the metallurgical industrial enterprises throughout the province have shown an increase of 3 times over the figure for the corresponding period of 1981 thanks to enforcing the contract system of delivering profits to the state. In 1984, the provincial power industry bureau, the Shengli oilfields, the Baoan colliery in Ningyang County, and Yantai branch office of the provincial highway transport company were commended by the State Council as "advanced units" emerging in increasing economic returns.

Judging from the exhibited materials shown over the closed circuit television, the remote-control slide projector, and the microfilm projector, as well as from the large amount of new products, our province has scored marked achievements in enforcing the policy of making technological progress, overcoming the knotty difficulties in scientific research and technology work, and conducting technical renovations since the 3d Plenary Session of the 11th CPC Central Committee. Over the past 5 years, the 98 categories of products of the province have won 105 quality medals from the national authorities, of which 20 are golden medals and 85 are silver ones; 416 categories of its fine-quality products have won medals issued by the ministries; and 1,115 categories of its fine-quality products have won medals issued by the provincial authorities. The organs at or above the provincial level have appropriated 2.4 billion yuan for conducting technical

renovations. In line with this, more than 3,900 instances of renovation have been carried out, and the newly increased output value has reached 7.2 billion yuan. More than 400 enterprises throughout the province have been improved by introducing advanced technology and equipment from [word indistinct] and they have had a new increase of 2.5 billion yuan of output value and 1 billion yuan of profits and taxes handed over to the state. The technology and equipment of a large number of enterprises, such as the Qilu synthetic ammonia plant, with a 300,000-ton production capacity, the Xinglongzhuang colliery, and the Yantai synthetic leather plant, have reached the world advanced standards scored in the period from the end of 1970's to the beginning of the 1980's following their building of new projects.

The last part of the exhibition introduces the province's key projects that will be built during the period of the "Sixth 5-Year Plan" and the "Seventh 5-Year Plan," such as the Shengli oilfields, "the second Daqing of China," which are under rapid construction; the Qilu petrochemical company, with a production capacity of 300,000 tons of polythene, and which costs the state 4.65 billion yuan, the Shujiu harbor, with two 100,000-ton berthes and a 15-million-ton annual coal transport capacity; the power plant in Zou County, with an installed capacity of 2.4 million kw; and the prospective plans for building Qiangdao and Yantai cities into coastal open economic zones. After viewing the exhibition, we are greatly inspired and full of confidence in fulfilling the target of "doubling the annual agricultural and industrial output value ahead of schedule by the end of 1985" and of "letting the people become wealthy and making Shandong Province prosperous."

CSO: 4006/48

AGGREGATE ECONOMIC DATA

HENAN REPORTS INCREASED INDUSTRIAL PRODUCTION

HK161301 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 15 Oct 84

[Text] Since the beginning of this year, the provincial industrial and communications departments have conscientiously implemented the spirit of the national and provincial economic work conferences and steadily promoted economic work. All economic plans and measures have been carried out according to schedule, and the situation is developing quite well. From January to September, a synchronized growth in output value, profits and taxes, and profits turned over to the state has been achieved in the industrial production of our province, with the economic results higher than output value. Over the past months, propelled by the economic reform, a good job has been done in enterprise consolidation and technical transformation, and the quality of the enterprises has been improved. At the same time, attention has been paid to investigating and exchanging market information, and better economic results have been achieved.

One of the characteristics of the good industrial production situation in the past 9 months is that production has been developing stably, harmoniously, and steadily. During this period, more than 77 percent of the plan for annual output value was fulfilled, which was an increase of 11 percent over the same period last year. Communications and energy production have also achieved great progress. The volumes of goods transported by railway and highways were separately increased by 5 and 4 percent. In raw coal production and power generation, more than 77 percent and 81 percent of the annual production plans have been fulfilled. At the same time, the quality of industrial products has been greatly improved, and more quality products have been produced. In the past 9 months, 27 provincial products won the honor of national quality products, of which 5 won gold and 22 won silver medals for national quality products. This was 85 percent more awards than those won last year. It ranks our province 9th, instead of the previous 13th, in the whole country.

Another characteristic of the good industrial production situation in our province is that a synchronized growth in output value, profits and taxes, and profits turned over to the state has been achieved. The total output value of the budgeted industrial enterprises increased by 9 percent over the same period of last year, and both the profits realized and the profits delivered to the treasury have been increased, compared with the same period of last year. On the other hand, losses have been reduced by a big margin. At present, the provincial industrial and communications departments are adopting effective measures to do a better job in the fourth quarter so that good preparations can be made for next year's production.

AGGREGATE ECONOMIC DATA

GUANGXI RADIO ON CAPITAL CONSTRUCTION

HK220707 Nanning Guangxi Regional Service in Mandarin 1130 GMT 17 Oct 84

[Excerpts] Since the founding of the state, the region has invested 15.6 billion yuan in large-scale capital construction. In particular, following the 3d Plenary Session of the 11th CPC Central Committee, the region has made full use of advantages in natural and economic resources to promote the building of energy resources, communications, nonferrous metals, building materials, sugar refining, and other trades. This has constantly changed the backward situation of the region.

In order to lay a good foundation for the development of the national economy, the region has adopted important strategic measures in developing agriculture. It has greatly developed the construction of irrigation facilities. It has built 4,142 reservoirs with a total capacity of 15 billion cubic meters. It has constructed irrigation and drainage in 26,282 places, with an installed capacity of 870,000 kilowatts. The gross area being irrigated is 25.8 million mu, or more than 65 percent of the region's arable land. This has played a positive role in improving the conditions for agricultural production and in safeguarding production.

The region enjoys exceptional advantages in terms of water resources, which help develop the electricity generation industry. As early as in the early 1960's the region first built the (Zizi) hydroelectric power plant on the Li Jiang by pooling manpower and financial resources to make use of the abundant water resources. In the 1970's, particularly after the 3d Plenary Session of the 11th CPC Central Committee, the region began developing, with the support of the state, the Hongshui He. It built, one after another, a number of hydroelectric power plants. In addition, it made full use of local coal deposits, and built several thermal power plants, with a total installed capacity of 1.95 million kilowatts. Together with other generators bought by local people, the annual electricity generation capacity of the region reached 6.5 billion kilowatt-hours, an increase of more than 300 times compared with that in 1950.

The region also makes full use of the abundant limestone resources for developing the cement industry. It completed last year the construction of the (Litang) cement factory, with an annual production capacity of 500,000 tons, after building the region's first large cement factory in Luizhou. Together with other medium- and small-scale cement factories, the region now has a total cement production capacity of 3.13 million tons, or an annual output of 3.08 million tons.

In order to increase state stocks and to meet the needs of people's livelihood, the region also makes use of favorable natural resources to develop the sugar-refining industry. By 1983, the region had built over 60 sugar refineries, with a total pressing capacity of 52,400 tons, or an annual sugar production capacity of about 600,000 tons. The product is sold as far away as Guangdong and is ranked second in China.

At present, we must make great efforts to bring about an upswing in development in the region. In the urban economic structural reform, we should regard the management system reform in the construction industry and capital construction as the breakthrough point. In the meantime, we should actively carry out feasibility studies for and build industries of a strategic nature, such as energy resources, communications, nonferrous metals, building materials, and the petrochemical industry.

CSO: 4006/48

AGGREGATE ECONOMIC DATA

BRIEFS

GUANGDONG INDUSTRIAL PRODUCTION INCREASES--Guangdong Province's gross industrial output value from January to September this year was 25.7 billion yuan, 15 percent more than in the same period last year, and accounted for 80.3 percent of the 1984 quota. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 11 Oct 84 HK]

SHANDONG GOLD PRODUCTION--Since the 3d Plenary Session of the 11th CPC Central Committee, Shandong Province's gold output has ranked first in China for 6 years running, and has increased at an average rate of 8.3 percent each year. Shandong Province is rich in gold resources. To develop gold production, the state has invested large amounts of funds in building and expanding the Jiaojia, Xincheng, Yinan, Rushan, and Zhaoyuan gold mines in the province which have a total gold handling capacity of 2,250 tons. Through technical transformation and increasing production scale, the annual gold production capacity of the Zhaoyuan Gold Mine has reached 50,000 liang. [Summary] [Jinan DAZHONG RIBAO in Chinese 18 Sep 84 SK]

SHANDONG METALLURGICAL INDUSTRY--Over the past 35 years, Shandong Province has produced 10.95 million tons of steel, 22 million tons of pig iron, and 9 million tons of rolled steel which created a total of 20 billion yuan of output value. In 1983 alone, more than 1.52 billion yuan of output value was created, an increase of 760 times over 1949. In 1983, metallurgical industrial enterprises across the province netted 160 million yuan of profit, more than 4 times that of 1978. Shandong ranks first in the country in terms of steel output, and second in terms of pig iron and rolled steel output. [Summary] [Jinan DAZHONG RIBAO in Chinese 25 Sep 84 p 1 SK]

CSO: 4006/48

ECONOMIC MANAGEMENT

INDUSTRIAL, AGRICULTURAL OUTPUT VALUE, NATIONAL INCOME LINKED

Beijing JINGJI YU GUANLI YANJIU [ECONOMIC AND MANAGEMENT RESEARCH]
in Chinese No 3, 30 May 84 pp 1-6

[Article by Zhou Shulian [0719 0647 5571]: "Inquiry Into the Synchronous Growth of Gross Industrial and Agricultural Output Value and National Income"]

[Text] Whether it is possible to have a synchronous growth of national income and of gross industrial and agricultural output value is a question of major theoretical and practical significance and also a rather complex question. Scholars have all along differed in their opinions on this question which has recently been debated in newspapers and periodicals. Some articles agreed with the formulation of the question, considering that "it is an important link in promoting a turn in our country's macroeconomic policy toward a policy that centers around economic results as its core." (1) Some articles consider this formulation "not very scientific" and "a synchronous growth difficult to achieve in the next 20 years." (2) A study of these articles is very enlightening, and I will discuss in the following my own immature opinions, inviting the advice from the writers of the said articles and from all other comrades.

The Meaning of Synchronous Growth of the National Income and of Gross Industrial and Agricultural Output Value

It is mainly for two reasons that some comrades do not endorse the formulation "synchronous growth of the national income and of gross output value of industry and agriculture." One is that they think it will not be possible for our country to achieve a synchronous growth of the national income and of gross output value of industry and agriculture within the next 20 years, and the other is that they believe that there is no need for a synchronous growth of national income and gross output value of industry and agriculture.

Let me discuss the latter reason first.

Some comrades say: The synchronous growth of national income and of gross output value of industry and agriculture is not always meeting the demand for higher economic results. Even if this synchronous growth is achieved, it will not necessarily increase economic results. Taking the First and the

Third Five-Year Plan as example, the third plan came much nearer to the said synchronous growth, but economic results in the first plan were better than during the third plan period. This shows that it is not necessary to demand a synchronous growth of national income and gross output value of industry and agriculture.

In my opinion, these comrades neglect the background and the premises for our proposal of a synchronous growth of the national income and the gross output value of industry and agriculture. Everybody knows that we have for a long time overemphasized speed and neglected economic results in our economic work; this is one major reason for the rather low level of our economic results. Precisely to overcome this tendency, the Central Committee and the State Council have put forward the new path in economic development of emphasizing economic results as core and have furthermore proposed the synchronous growth of national income and gross output value of industry and agriculture as the objective of the Sixth Five-Year Plan. Seen against this background, if we now propose the synchronous growth, it is to have both areas experience a certain growth rate, and not, as in the past, to have a high growth rate in the gross output value of industry and agriculture and a low growth rate in national income with an unsatisfactory condition as to economic results.

The 12th CPC National Congress set the task of quadrupling the gross output value of industry and agriculture during the coming 20 years. According to this decision, the average growth rate for the gross output value of industry and agriculture must be 7.2 percent per year. This is not a low figure, but also one that can be accomplished. If we now demand a synchronous growth of national income and gross output value of industry and agriculture, it means that we must also strive to achieve an average annual growth rate of 7.2 percent or close to that figure in our national income. This is certainly not a low figure for the national income to achieve, because during the period 1953-1982 the average annual growth rate of our national income was only 6 percent. It shows that on the premise of having fixed the growth rate for gross output value of industry and agriculture, the proposal to have a synchronous growth rate of national income and of gross output value of industry and agriculture, in actual fact prescribes also the growth rate for the national income. Some comrades propose to make the growth rate of our national income a norm in a normative system for increased economic results, but they object to the formulation of synchronous growth for national income and gross output value of industry and agriculture, which logically is an untenable position, the reason being that this would disregard the background and the premise of this formulation.

If we have clarified that the synchronous growth of the national income and the gross output value of industry and agriculture contains the demand for a speedier growth of the national income, we must not merely base on the fact of which of the two periods, the third and the first plan, came closer to a synchronous growth, conclude that the economic results were better during the third plan as compared to the first plan period, but we must rather look at the growth rate of the national income during these two periods. Actually, during the period of the first plan the growth rate of the national income was 8.9 percent and in the period of the third plan only 8.3 percent, the

former being higher than the latter. It is only that during the period of the first plan the growth rate of gross industrial and agricultural output value (10.9 percent) was higher than during the period of the third plan (9.6 percent), that the differential between the two values in the first plan period increased as compared to the third plan period. What deserves our attention here is that we must gain a comprehensive understanding of the formulation of a synchronous growth rate of the national income and of the industrial and agricultural output value. If we do that, we will not come to a negative conclusion from a comparison of the economic results during the first and third plan periods. In other words, because this formulation is based on the premise of a high growth rate for both the national income and the gross output value of industry and agriculture, the formulation suits demands for higher economic results and is able to reflect the conditions for an objective rise in economic results.

Striving for a synchronous growth of the national economy and the gross output value of industry and agriculture has an important significance in many respects:

First, it demands that efforts be made to reduce material consumption in industrial and agricultural production and economies be made in embodied labor. The national income is the gross social output value minus material consumption. In a situation where the gross social output value is fixed, reduced material consumption will result in more national income, and when material consumption is large, national income will be reduced. In our national income, the net output value of industry and agriculture accounts for over 85 percent. Any reduction in material consumption in industrial and agricultural production will therefore speed up their contribution of net output value and play an important role in increasing the growth rate of the national income. At present, there is still serious waste of raw materials and energy resources in certain areas, departments and industrial enterprises, and there is still much potential for economies in materialized labor. The synchronous growth of net output value and gross output value of industry and agriculture, or the almost synchronous growth, would provide beneficial conditions for the synchronous growth of the national income and the gross output value of industry and agriculture. If the growth rate of the gross output value of industry and agriculture increases rather rapidly, but the net output value develops very slowly, it would be extremely difficult to achieve a synchronous growth of the national income and the gross output value of industry and agriculture, even if there are rapid increases in contributions to the national income from the construction and transportation industries and from commerce. The synchronous growth of the national income and the industrial and agricultural gross output value demands that the net output value and the gross output value of industry and agriculture increase at the same rate or at nearly the same rate. Achieving this demand means that the net output value of industry and agriculture would develop at a rapid rate, and the necessary condition for that to happen is an energetic effort to economize in material consumption.

Second, it demands the achievement of structural rationalizations in industry. The synchronous growth of the national income and of the industrial and

agricultural gross output value presupposes a very rational industrial structure. Speaking of the relationship between industry and agriculture, since in agriculture the proportion of net output value in the gross output value is larger than it is in industry, agriculture shows a more rapid growth than industry, and this will be beneficial for a future synchronous growth of net industrial and agricultural output value in both their gross output values, and this in turn will be beneficial for the synchronous growth of the national income and the gross output value of industry and agriculture. It is of course not possible to have agricultural growth increase faster than industrial growth over a long period of time, but we have to ensure its growth at a certain speed and it must not be too slow. In this way alone will it be beneficial for a synchronous growth of net output value and gross output value of industry and agriculture, or a rate of growth coming close to such a synchronous growth. Speaking of the relationship between light and heavy industry, since the proportion of net output value in the gross output value of heavy industry is larger than the proportion in light industry, heavy industry will show a more rapid growth than light industry and this will be beneficial for a synchronous growth of net output value and gross output value in industry and as a consequence will be beneficial for the synchronous growth of national income and gross output value of industry and agriculture. Heavy industry can of course also not one-sidedly develop divorced from developments in the light industry, and its development must be within rational limits, and must ensure the smooth progress of the social reproduction. In this way alone can there be a synchronous growth of industrial net output value and gross output value in industry, or a growth at an almost synchronous rate. The national income also comprises the net output value contributed by the construction and transportation industry and by commerce. The achievement of a synchronous growth of the national income and the gross output value of industry and agriculture, furthermore, demands that these departments develop at a rate corresponding to the growth of industrial and agricultural production. If the contributions of net output value from these departments increase at a faster pace, then it is still possible to achieve a synchronous growth of the national income and the gross output value of industry and agriculture, even if the growth rate of the net output value of industry and agriculture is lower than the growth rate of the gross industrial and agricultural output value. To achieve a synchronous growth of the national income and the gross industrial and agricultural output value, we must not only demand a well coordinated and proportionate relation between agriculture, light and heavy industry, but also a well coordinated and proportionate relationship between agriculture and industry on the one hand and the construction and transportation industries and commerce on the other hand, which means we must demand a rational structuring of production.

Third, it demands an effective accumulation of funds. Under otherwise unchanged conditions, the rate of increase of the national income is determined by the rate of accumulations and the accumulation results. The accumulation results can be demonstrated by every 100 yuan increased accumulation in the national income or by additional accumulations in national income needed by units. If we assume an accumulation rate of 29 percent, and if 5 yuan accumulations are needed for every 1 yuan increase in national income, the

rate growth of the national income will be 5.8 percent. If the accumulation result is raised, and only 4 yuan are required for each yuan of additional national income, the growth rate of the national income will be raised to 7.25 percent. This shows that the higher the rate of accumulation, the higher the growth rate of the national income; and also, the better the accumulation result, the higher the growth rate of the national income. At present, the rate of accumulation should not be too high; there is little leeway for raising the rate of accumulation, but there is a large potential for raising accumulation results. There are, for instance, serious cases of wastage in capital construction, of delays in completion of work projects, of huge price overruns, and of very unsatisfactory investment results. We must, and we also can, mend these kinds of conditions and strive for a synchronous growth in the national income and in the gross industrial and agricultural output value; demands in this respect have already been put forward. Raising accumulation results and investment results are preconditions for the achievement of synchronous growth of the national income and of the gross industrial and agricultural output value. Our effective accomplishment of the synchronous growth of the national income and of the gross industrial and agricultural output value would also mean a distinct improvement in accumulation results and investment results.

Fourth, it is a precondition for the achievement of a synchronous growth of production, tax profits and state revenue. We know that the value of a commodity can be divided into three parts: C , V and M , where C represents the materialized labor consumed, V represents pay for labor, and M represents the surplus value of the commodity. The tax profit of an enterprise are equivalent to M , and whatever part of this sum is turned over to the state constitutes state revenue. Only by a synchronous growth of net output value ($V+M$) and gross output value ($C+V+M$) is there the possibility of realizing a synchronous growth of production and tax profit, while pay for labor could also be appropriately increased, and is there a possibility of achieving a synchronous growth of tax profit and state revenue, while the profits retained by the enterprises could also be appropriately increased. If the net output value increases much slower than the gross output value, it will be extremely difficult to achieve a synchronous growth of production, tax profits and state revenue, or achievable only by not increasing or even reducing the pay for labor or the profits retained by enterprises, or there will be basically no synchronous growth at all. When plans were made for this year's industrial production at the recently convened National Economic Conference, there was an explicit demand made for the synchronous growth of production, tax profits and state revenue. This is extremely necessary. Achieving this objective also demands achieving synchronous growth of net and gross output values within industrial production. Some comrades do not endorse the formulation of synchronous growth of the national income and of gross industrial and agricultural output value because they believe a comprehensive set of norms should be established which would include the growth rate for national income, the social materials consumption rate, accumulation results, etc., which would then give an overall reflection of economic results. In my opinion, it is absolutely necessary to establish a comprehensive norm system of economic results, with the national income as its core, but this would in no way conflict with endeavors for synchronous growth of the

national income and the gross industrial and agricultural output value. This formulation of a synchronous growth of the national income and the gross industrial and agricultural output value actually reflects the demands for a large number of norms put forward by these comrades. The need to establish these sets of norms does not at all negate the important significance of striving for synchronous growth of the national income and the gross industrial and agricultural output value.

The Possibility of Achieving Synchronous Growth of the National Income and the Gross Industrial and Agricultural Output Value. Some comrades believe that it is impossible to achieve in the next 20 years the synchronous growth of the national income and the gross industrial and agricultural output value. Their reasons are: first, we are going to have a continuous increase in the organic component of our funds, and under these conditions the materialized labor will increase faster than live labor, which in turn will have gross industrial and agricultural output value grow even faster than the national income. This may be ascribed to what we may call fluctuations in the organic component of our funds. Second, in the wake of the development of our social production, industry with a high ratio of material consumption will increase faster than agriculture with its lower material consumption, and this will also result in a slower growth of the national income compared with the growth of the gross industrial and agricultural output value. This may be ascribed to what we may call changes in the production structure. They have produced still other arguments, but the above two are the main ones and deserve a serious analysis.

Let us first look at the changes in the organic component of funds and the influence of such changes on the rate of increases in the national income and the gross industrial and agricultural output value. There is no denying the fact that within a certain period of time, in the wake of scientific and technological progress and the developments in social production, the organic component of industrial and agricultural production funds will tend to increase. However, will the increase in the organic component of funds of necessity lead to an increase in the proportion of materialized labor within commodity values? That is not necessarily so, because the organic component of funds is not the same as the value component in products. The former refers to the proportion of materialized and live labor in the production, while the latter refers to the proportion of materialized and live labor consumed in the production process. There is a certain connection between the two, but also certain differences. A rise in the organic component could possibly lead to an increase in the proportion of materialized labor within the value of the product, but may also result in no change at all in the proportion of materialized labor, or even to a reduction of that proportion. For instance, because mechanized labor was replacing manual labor in the early years of capitalism, the proportion of material consumption in the industrial products indeed tended to increase, but later the situation changed. The United States after 1947, England after 1958 and West Germany after 1960, showed trends of decreasing proportions of material consumption. In the Japanese processing industry for quite some time after the 1950's, the proportion of material consumption in the product value remained in general stable at around 68 percent.(3) There are also not merely increases

without declines in the proportion of material consumption in agricultural products. In the United States, this proportion stood at 20.9 percent in 1900, at 35.6 percent in 1950, at 43.2 percent in 1960 and at 46.4 percent in 1971.(4) These are sharp rises indeed. However, in Japan from 1955 to 1968 there was a downward trend in the proportion within product costs of work objects of the agricultural departments (including such items as seeds, fertilizer, agricultural chemicals, water for irrigation, fuel for mechanized equipment, etc.). For instance, in 1955 the proportion was 28.1 percent, in 1965 it was 24.1 percent, in 1966 23.9 percent, in 1967 23.3 percent and in 1968 it was 23.5 percent. The proportion of the costs of work objects decreased 4.6 percent in 14 years.(5)

Marx already regarded an increase in the proportion of materialized labor within the value of a commodity as the direct indication of an increase in labor productivity. However, he also foresaw that in the wake of rising labor productivity, the proportion of materialized labor could possibly also decline. For instance, he pointed out: "If the constant capital amount develops in the same way as the comparative and relative increases in valuable capital, the rise in labor productivity will have the result of a decline in the value of the various factors of constant capital. As a consequence, the value of the constant capital will not increase at the same rate as the magnitude of materials, in other words, not as the magnitude of materials in the means of production moved by the same amount of labor, although the value of the constant capital may continuously increase. Under special conditions, the magnitude of the various factors in the constant capital may possibly even increase though the value of the constant capital may remain unchanged or decline."(6) He also once said: "In the wake of the developing labor productivity, the value of the raw materials may become an increasingly larger component in the value of the commodity that is produced. This is not only because the raw materials will be fully incorporated in the value of the commodity produced, but because in each part of the whole commodity there will be less of portions of machine wear and tear and of portions made up by additional labor. Due to this kind of drop in labor, another value sector formed by raw materials will correspondingly increase, unless the value of raw materials is correspondingly reduced and can offset these increases because of the increase in labor productivity in the production of the raw materials themselves."(7) Following the scientific and technological developments and the improvement in management, the offsetting function of which Marx speaks is becoming increasingly evident after the middle of the 20th century.

Actually, the organic components of funds in industrial and agricultural production are also not continuously rising. Although there is a tendency in the capitalist countries of a rise in the organic components of capital, there have occurred contrary tendencies since the 20th century mainly due to the scientific and technological developments and the fluctuations of prices. For instance, in the United States during the 19th century, the capital structure of the entire national economy displayed a continuously rising tendency, but it stabilized in the 20th century, and at times showed a tendency to decline. In the American processing industry, the ratio of capital to wages was 2.38 in 1879, 2.51 in 1889, 3.62 in 1899, 4.12 in 1909, 3.26 in 1919, 3.67 in 1929, 3.51 in 1937, 2.49 in 1948, 2.36 in 1953, and

2.45 in 1968. Since the 20th century, the ratio of capital to wages in the American sectors producing major commodities is also showing a tendency to decline. It was 4.06 in 1929, 4.15 in 1937, 4.06 in 1940, 3.41 in 1950, 3.61 in 1958 and 3.6 in 1968.(8) Regarding this point, Marx also stated: "If 5 workers produce ten times more of a commodity than before, they will thereby not at all increase the fixed assets ten times. Although this portion of the value within the constant capital increases in the wake of the developing productive forces, it does not by far increase at the same rate." "That part of the value which is derived from raw materials and auxiliary materials will of course decline in the wake of increased labor productivity, because, speaking of these materials, the productivity is precisely manifested in: having their values already declining."(9)

Some may say these phenomena in the capitalist countries are not likely to occur at the present stage of our country. In my opinion that would be too absolute a statement. These phenomena at least demonstrate that the changes in the organic portions of capital will not at all by necessity lead to a higher ratio of consumption in the value of the product. Speaking of industry, since many countries in Europe, America and also Japan showed a decline in the portion of materialized labor within the product value as from the 1940's, 1950's or in the 1950's and 1960's, and since our present industrial production is in many ways similar to theirs in those years, there is the possibility that we shall experience similar phenomena. Here we must also pay attention to the following circumstances: first, the present progress in science and technology makes it increasingly possible to employ techniques of economizing in materialized labor; and second, the huge advantages we have in our country's socialist system, a superiority which due to a variety of reasons was not fully brought into play, leaving a huge potential in our industrial production which can still be tapped for the purpose of economizing materialized labor. There is therefore indeed the possibility for us to realize in our industrial production a synchronous growth of net and gross output values. As to agriculture, due to the fact that the productive forces of our agricultural production are at a low level, there is even less reason to underestimate the possibility that we can, in the course of our modernizations, raise the organic components of capital funds and increase the proportion of materials consumption in the product value. However, the development of modern agricultural science and technology has opened a new road for the modernization of agriculture. This will lead to the use of many more scientific achievements in production, including the use of genetic engineering, biological nitrogen fixation, growth regulating preparations, biological pest controls, new methods of ploughing, etc. with the possibility of large increases in production, as well as economies in the investment of materialized labor. Especially since we have in our agriculture a tradition of intensive and meticulous farming, in addition to which we have now found the correct way for the development of socialist agriculture, the superiority of socialist agriculture will increasingly assert itself. There is therefore also the possibility that our agriculture will in future achieve the synchronous growth, or an almost synchronous growth, of its net and gross output values. At least we can strive to achieve a state where the growth rate of the net output value of agricultural production is not too far behind the growth rate of the gross agricultural output value.

Let us now look at the influence of the structural changes in agriculture on the synchronous growth of the national income and the gross industrial and agricultural output value. Precisely as some comrades have stated, viewing the long-term future of our country, industry will grow faster than agriculture. In our agriculture the net output value presently accounts for 70 percent of the gross output value. In industry, the net output value accounts for 30 percent of the gross output value. Since industry is growing faster than agriculture, even if the net agricultural output value will grow synchronously with its gross output value and the net industrial output value will grow synchronously with its gross output value, the rate of growth of the net industrial and agricultural output value will still be slower than the rate of growth of the gross industrial and agricultural output value. This adverse effect on the synchronous growth of the national income and the gross industrial and agricultural output value we cannot but realize. However, we must not conclude from this fact and say that a synchronous growth of the national income and the gross industrial and agricultural output value is impossible. In my opinion, the above is only one aspect of the influence exerted by structural changes in production, and viewed from the standpoint of the total influences of the structural changes in production, they demonstrate that the possibility of a synchronous growth of the national income and the gross industrial and agricultural output value still exists. In this connection the following points must have our attention:

First, structural changes in production are not merely increases in the industrial proportions and declines in the agricultural proportions. As to the industrial and agricultural proportions, we have the ability through planned dispositions and according to needs and possibilities to let agriculture have a faster growth rate and have industrial growth maintain a rationally balanced relation. This would prevent their growth rates getting too far apart and would result in reducing to a minimum the adverse effects of the respective structural changes on the synchronous growth of the national income and of the gross industrial and agricultural output value, perhaps substituted by favorable influences from other quarters.

Second, changes in the proportions of light and heavy industry are also an important aspect of the structural changes in production. The tendency of these changes are beneficial for the synchronous growth of the net and gross output values of industry and agriculture, and consequently also beneficial for the synchronous growth of the national income and the gross industrial and agricultural output value. In our heavy industry the net output value presently accounts for about 36-40 percent of the gross output value. In the light industry, the net output value accounts for about 30-35 percent of the gross output value. In our 1982 gross industrial output value, light industry accounts for 50.2 percent and heavy industry for 49.8 percent. From now on and for some time to come, heavy industry will grow somewhat faster than light industry. If other conditions remain the same, this trend of preferential growth of the heavy industry will be beneficial for the synchronous growth of the national income and the gross industrial and agricultural output value, and this may possibly counteract the above-mentioned unfavorable influences. We must of course not irrationally speed up the growth rate of the heavy industry only because the preferential

growth of heavy industry is beneficial for a synchronous growth. Accepting the lessons of past experiences, the rate of development of our heavy industry must be determined in a rational way. However, we must not repudiate the tendency of a preferential growth of the heavy industry for a certain period of time to come. We must also not deny that this is a favorable condition for the synchronous growth of the national income and of the gross industrial and agricultural output value.

Third, another important aspect of our country's future structural changes in production will be the very fast growth of the construction and transportation industries and of commerce. They could develop faster than industry and agriculture, and this would be an extremely favorable condition for the synchronous growth of the national income and the gross industrial and agricultural output value. For a long time in the past, development of our construction and transportation industries and of commerce was fairly slow and could not meet the demands of our national economic development. This was also a major reason why a synchronous growth of the national income and the gross industrial and agricultural output value could not be achieved in the past. In our 1982 national income, the construction and transportation industries and commerce accounted for 4.6, 3.1 and 5.5 percent, respectively. In 1957, the proportions were 5, 4.3 and 15.6 percent. In all three categories the proportions declined, and particularly in commerce. Compared with certain other countries, the proportions of the construction and transportation industries and of commerce in the national income appear too low. For instance, in the 1980 national income of the Soviet Union, the proportion of the construction industry was 11 percent, of the transportation industry 6 percent and of commerce 18 percent. Now, everybody is agreed that rapid development is needed in our construction and transportation industries and that their proportion in the national income must be raised. As regards commerce, there are some comrades who emphasize that it is restricted by the departments who directly produce the material products, and they believe that commerce cannot be developed more rapidly. The fact is that the present unsatisfactory development of commerce is not only a source of great inconveniences for the people in their livelihood, but also detrimental to the healthy development of industrial and agricultural production. It is necessary for us--and we have the ability--to speed up somewhat the development of our commerce by, for instance, having its proportion in the national income gradually raised to the level of the First Five-Year Plan. If we would speed up the development of the construction and transportation industries to a rate faster than that of industry and agriculture and increase their proportions in the national income, this could also counteract some of the above-mentioned adverse influences on the synchronous growth of the national income and the gross industrial and agricultural output value and would be beneficial for the synchronous growth. I shall now also briefly analyse certain other arguments against synchronous growth.

For instance, one version asserts that our current pricing system is very irrational and that we must from now on adequately raise the prices for products of the raw and semifinished materials industries and of the energy industry. This would raise the proportion of materials consumption and would be detrimental to synchronous growth. However, in actual fact raising

the prices of products of the raw and semifinished industries and the energy industry must first of all reduce the proportion of materials consumption in these products, and saying that its effect will only be a higher proportion of materials consumption is not at all comprehensive enough. Moreover, precisely as some comrades have suggested, the problem brought on by price adjustments can be solved by constant prices.

Another version asserts that the intensity of processing social products will continuously increase and, correspondingly, there will be a relative rise in the proportion of material consumption in the social products. This too will be detrimental to the synchronous growth. In my opinion, the more intensive processing of products will have the effect of a fuller, more rational utilization of our country's surplus manpower, which will speed up the pace of increasing our national income. Under the condition of a fixed growth rate of the gross industrial and agricultural output value, taking this action will not be detrimental to, but rather beneficial for the synchronous growth of the national income and the gross industrial and agricultural output value.

There is yet another version which asserts that in developing coordination among specialized industries there is the possibility of increasing the frequency of duplications in calculating gross industrial output values and of widening the gap between the growth of the national income and of the gross industrial and agricultural output value. Let us consider this version. The purpose of our developing coordination among specialized industries is to raise economic results. If the result of coordination among specialized industries is merely or mainly an increase in the frequency of duplications in calculating the gross industrial output value, that would indeed widen the gap between the growth of the national income and of the gross industrial output value, but this would run counter to the principle that governs our development of coordination among specialized industries. If the coordination among specialized industries is beneficial to increasing economic results (this alone is the cooperation among specialized industries that we need), its effects would not be a widening of the gap between the growth of the national income and of the gross industrial and agricultural output value, but would be beneficial for their synchronous growth. As to the problems of statistical methods, these can certainly be improved.

There is also one version that asserts that our current rate of depreciation for fixed assets is too low, and that the future raising of depreciation rates will also raise material consumption, thus making synchronous growth impossible to achieve. I believe that on the surface the raising of depreciation rates may indeed raise materials consumption, but since this is due to the rates being too low in the past, it is not that a present raise in rates increases material consumption, but that in the past old capital was taken as income and that this mistake is now being amended. Actually, the problem can also be solved by a correct conversion. Furthermore, after the depreciation rates will have been fixed at a rational level, there will no longer be this kind of a problem.

In summing up, it is my opinion that it is possible for us to achieve a synchronous growth of the national income and of the gross industrial and agricultural output value in the next 20 years. If I say that it is possible, I do not say that it is without difficulties. We have to admit that, subjectively and objectively, there will be many difficulties. That is precisely the reason why we have up to now not yet achieved the synchronous growth. However, we cannot, because of these difficulties, deny the need and the possibility of synchronous growth, but must rather face all these difficulties squarely, as we earnestly study ways and means to overcome the difficulties and achieve the synchronous growth.

FOOTNOTES

1. Zhang Shuguang [1728 2562 0342], "Tentative Discussion of the Synchronous Growth of the National Income and the Gross Social Product, Gross Industrial and Agricultural Output Value," in JINGJI YANJIU [ECONOMIC RESEARCH] No 10 (1983).
2. Cheng Jiaheng [6774 1367 0077], Du Tiezhang [2629 6993 4545], Li Tiejun [2621 6993 6511], "Long-term View of China's Difficulties in Achieving the Synchronous Growth of the National Income and the Gross Industrial and Agricultural Output Value;" Xun Dazhi [5424 1129 1807], "The Difficulties of Achieving in the Near Future a Synchronous Growth of China's National Income and Gross Social Output Value," both in JINGJI YANJIU [ECONOMIC RESEARCH] No 1 (1984).
3. "Proportions in Reproduction During Times of Developed Socialism," p 194.
4. and 8. "Political Economy of Modern Monopoly Capitalism," Vol 1, pp 344, 387-388.
5. "The Question of Japanese Economic Efficiency," p 114.
6. 7. and 9. "Das Kapital," Vol 3, pp 262, 125 and 290.

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VIEWS ON LOWERING COSTS OF SHANGHAI'S INDUSTRIAL PRODUCTS EXPLAINED

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[Article by Ye Xiangzhi [0673 4161 3112], Chen Peilin [3088 1014 2651] and Zhu Yan [2612 3508] of the Shanghai Municipal Financial Scientific Research Institute: "Some Views on Lowering the Cost of Shanghai's Industrial Products"]

[Text] In order to study ways to improve the economic results of Shanghai's industrial enterprises, we have made a preliminary investigation of this city's industrial enterprise product costs since the last half of 1983. We will now discuss several views on the meaning of and ways and means for lowering cost.

I. Lowering Cost Is the Key To Improving Economic Results

The total fixed product cost of this city's local state-run industrial enterprises in 1983 was 21.25 billion yuan or 71.1 percent of the total cost of all products, and it was lowered by over 200 million yuan or 1.2 percent. Cost is closely linked to and inseparable from economic results for the following reasons. 1) Lowering cost means reducing live and materialized labor, raising the productivity of social labor and creating more material wealth for society, and this is the basis for improving economic results. 2) Along with the development of new technology and the raising of labor productivity, the prices of industrial products have been continuously decreasing and have decreased more and faster in recent years for a variety of reasons. Under these conditions, without a great change in product mix, profits and production will increase together, and the key to the problem lies in lowering cost. If the amount of lower cost exceeds the loss from lower prices, increased income will be greater than increased production. 3) Many economic results targets such as the output value-profit rate, the market-profit rate, the fund-profit rate and even the net output are all directly related to cost. The amount of cost directly affects the amount of profit and thus affects the success of the fulfillment of these targets. Based on 1983 data calculations, if all product costs in this city's industrial enterprises were lowered 1 percent, they would be lowered 296 million yuan or 3.2 percent of total profits for the same period. Stressing the lowering of cost can quite quickly raise profit levels and improve the conditions to fulfill a series of economic results targets. 4) Lowering cost is the major indicator of enterprise quality improvement. Starting with stressing cost, we can discover and resolve enterprise quality problems and use whether cost is truly lowered to examine whether enterprise quality is improved, thus truly bringing enterprises into the orbit of improving economic results.

II. There Are Objective Factors for Cost Overspending, Yet There Is Also a Great Potential for Lowering Cost

That costs were not ideally lowered in this city in 1983 is related to the fact that there was a lot of cost overspending in some enterprises. Of industrial enterprises in 9 local industrial offices, 510 or 28.3 percent had cost overspending and overspent over 430 million yuan. The No 1 enterprise finance department of the Municipal Financial Office selected 60 of these for analysis. Cost overspending for January to September 1983 was over 73 million yuan at a rate of 4.1 percent. Sixty-one million yuan or 82.8 percent of this total amount was due to objective factors affecting overspending, and with some increases and some decreases, there was a net increase of 12 million yuan or 17.2 percent due to subjective factors affecting cost. Of objective factors, increased prices of all kinds of raw and processed materials and energy resources raised costs nearly 49 million yuan or 80 percent, and a raised depreciation rate raised them over 3 million yuan or 5 percent. Although this is only an analysis of some enterprises, it tallies with our investigation. Unfavorable objective factors can be overcome through subjective efforts, causing cost overspending to decrease. For example, costs increased 1.48 million yuan from January to September 1983 in the Dazhonghua rubber plant due to increased prices for raw and processed materials and a raised depreciation rate, but 750,000 yuan was recovered through reducing consumption of raw and processed materials and 1.04 million yuan through saving on energy resources, administrative costs and reject losses and improving labor productivity, enabling costs to be lowered 310,000 yuan. It was estimated that increased prices of raw and processed materials would raise costs 1.11 million yuan in the No 3 sewing machine plant in 1983, but they faced up to the unfavorable factors and carried out 37 measures to increase income and reduce expenditures, and costs had been lowered 1.2 percent and profits had increased 12.1 percent by the end of June. Again, judged by over 1,000 enterprises which lowered costs in 1983, the majority also lowered costs only by overcoming various unfavorable factors. This shows that faced with all kinds of unfavorable factors, we must aim at and devote ourselves to using subjective efforts to reduce and even eliminate their efforts, and certainly cannot use them as an excuse to cover up management and administrative problems.

III. Stress Management First, Science and Technology Second, and Government Policy Third in Order To Lower Cost

Most of the enterprises that we saw and heard about in our investigation which lowered cost most stressed the three matters of enterprise management, technical progress, and the formulation of fair award measures.

Three items were mainly stressed in the area of enterprise management. 1) Target costs were formulated. The instrument and meter office has annually assigned a group of product target costs for the past 2 years, spurring enterprises to strengthen cost management. It assigned 160 product target costs in 1983, 73.5 percent of products had achieved the cost targets by the end of the year, and costs were lowered over 26 million yuan. Faced with the characteristics of fairly stable raw and processed material costs and strong product stability in its line, the textile industry has adopted quota cost checking

measures, and based on variety and technically formulated average advanced quota costs, has had fairly objective standards for cost analysis and comparison, and has also achieved fairly good results. 2) The system of economic job responsibility was established in the plants. For example, shop No 205 of the No 2 Shanghai pharmaceutical factory established a 3-level business accounting network and stage accounting and broke down cost targets, and per unit costs of the shop's major product vitamin E were lowered 37 percent in 1983 over the previous year. 3) Cost analysis and similar product cost comparison were developed. For instance, since prices of raw and processed materials increased for canned foods in the three food product factories of Yimin No 1 plant, Meilin, and Taikang, expenditures increased 1.3 million yuan from January to September, yet through developing similar product cost comparison and searching out the disparities, they adopted measures such as improving quality, strengthening the management of procurement links and reducing consumption, enabling per unit consumption and expenses to be lowered, and costs were lowered 2.08 million yuan by the end of September. Faced with the characteristics of delivering many processed goods abroad, some enterprises have also stressed foreign processing management, and have achieved very good results. Practice has proved that strengthening management is a "technical organization measure" which doesn't require expensive investment, and after carrying it out, results are enduring. Yet doing it carefully is time-consuming and strenuous and requires perseverance.

Of course, the effect of strengthening management to lower cost is different in different enterprises, and the potential is fairly small in enterprises with fairly good management foundations. Regardless of management standards, judged from the long-range and fundamentally, lowering cost must rely on S&T progress and take the road of combining technology and economics. The Dazhonghua rubber plant began using valve engineering methods in 1980 to analyze tire function, using methods such as improving tire design and decreasing tire thickness, which not only saves on raw and processed materials, but also cools quickly, reduces wear and tear and can also save gas. It popularized them to the 900-20 tire and the grade 4 tube in 1983, and saved 430,000 yuan on these 2 varieties alone from January to September. The cost of television sets at the No 1 TV plant is lower than similar products at other plants in the same line. Their experience is in fully developing the role of technicians and in concentrating their efforts on design, enabling spare parts to be standardized, interchangeable and serialized. The cost of materials for their own designed "B35-1U14" all frequency black and white TV is 20 percent lower than for similar products in the same line. The road to lowering cost through S&T is particularly broad and there are bright prospects in areas such as product design, reforming the mix, saving on substitutes, comprehensive utilization, improving directions, reforming technology and even the technological transformation of equipment. Developing new products is also a major area for lowering cost. Although costs are high for successful trial-production and small-scale mass-production of new products, through 2 or 3 years of continuous improvement and expanded production, the degree of cost reduction is often quite large. For instance, the 1982 per unit cost of the 20 cm electric rice cooker produced by the Qunyi electric appliance plant was lowered 42.4 percent from that at the start of production in 1980, and that of the 24 cm one which was produced afterwards was also lowered 5.3 percent in a 1½-year period. The key to relying on

technological progress to lower cost is the need to mobilize more technicians to pay attention to cost and to make contributions to lowering cost.

Formulating fair award measures, utilizing correct distribution policies and promoting saving are also effective measures to lower cost. This city's small chemical fertilizer industry was formerly a famous "coal tiger," but it gave coal and electricity saving awards in 1979, formulated average advanced consumption quotas, and planned and issued awards regarding actual reductions in supply volume of goods and materials departments as the standard, and 10 fertilizer factories saved 110,000 tons of coal and 54 million kwh of electricity worth 9.9 million yuan in 1982 and paid 780,000 yuan or 8 percent of the savings in awards. Comparing 1982 to 1979, the coal consumption to produce each ton of synthetic ammonia throughout the industry was lowered 27.8 percent, electricity consumption was lowered 20.2 percent, and good results were achieved. The Sifang boiler plant stipulated that it would pay a 4-yuan per ton award for steel products which were saved from the technological quota and returned to the warehouse, and it saved 179 tons of steel products worth 220,000 yuan in the first half of 1983 and paid 643 yuan or 0.3 percent of the savings in awards. Judged by these situations, giving suitable awards for saving major raw and processed materials is effective.

IV. Realizing the "Three Stresses" Requires the Attention of the Leadership To Achieve Both Goals and Measures

Since lowering cost is discussed year after year, why does it yield little results? We have analyzed many reasons. 1) Sufficient attention has still not been paid to ideology. Many enterprises still stress output value and neglect cost, stress quality and neglect consumption, and contradictions between speed and results have not been handled well. The market-cost ratio of Shanghai's products is fairly low, the cost being slightly higher has little relation to the factory's gains and losses, policy factors conceal management factors, and it seems that cost raises are all created by objective factors. In summary, speed and results have not been truly unified. But unity of speed and results in financial affairs should show synchronized increases in production and income. Otherwise it is very hard to refer to them as having improved economic results. Of course, if a certain industry or variety is greatly affected by objective factors during a year, it can happen that results targets will temporarily be lowered, yet our development of subjective initiative must also be relied on to gradually overcome the problems and raise them. 2) In waiting for groups to be revised and enterprises to be reorganized, much time has been lost in "waiting," and the face of enterprise management has not been clearly changed. In reorganizing, some enterprises also often underestimate the complexity of enterprise management and put knotty and troublesome matters aside, don't care to touch them, and only make certain rules. 3) Technology is divorced from cost. It is still common that those people who understand technology don't pay much attention to cost and those who manage cost don't much understand technology, and there is also even one-sided pursuing of quality, sparing neither labor nor money and ignoring results. 4) In policy distribution, since quotas have not been revised in time, a drop has now appeared in the role of promoting savings by the 10 major state-formulated raw and processed materials saving awards, the other raw and processed materials

saving awards formulated by the city have still not been widely adopted, and the award system within enterprises has been even more restricted by awards being issued from the top and cannot be popularized.

How can various obstacles to promoting cost lowering be overcome? We believe that this city's experience in stressing energy saving and quality is worth drawing lessons from. As to the work of energy saving, the leadership first paid attention to it, held an energy-saving month, and widely mobilized politically and ideologically, enabling the masses of staff members and workers to improve their understanding; they later also extended credit to support boiler transformation, strictly controlled the volume of coal supply, and popularized energy-saving awards; and they adopted methods of blending the supply of coal for power in order to make the best possible use of the heat efficiency of different varieties of coal, all of which have been effective in the past few years. Lowering cost is a comprehensive job, the problems it involves are much more extensive than saving energy, and it is feared that it will be rather difficult if only finance and financial affairs departments are relied on to stress it. It will require strengthening the leadership and achieving both goals and measures. We thus recommend that:

1. In order to change the present situation wherein enterprises don't pay sufficient attention to cost and the long-term separation between technology and cost, we recommend the development of a "comprehensively improve cost management standards and strive to lower cost" activity throughout the city in 1984.

2. The above activity must be combined layer by layer with the 1984 cost-lowering targets. Cost targets assigned throughout the city to all concerned offices and by offices to companies must not only give general lowering quotas and rates, but must also have specific contents including lowering rates for consumption standards for major raw and processed materials, energy resources and expense standards, and labor productivity improvement scales. Companies must assign even more specific product target costs to enterprises. Qualified industries can formulate certain product quota costs and carry out internal examinations. Concerned departments on all levels throughout the city can also propose certain formal requirements such as each person saving 1 yuan a day for the state, and stress saving activity starting at the beginning of the year. Targets assigned by the higher authorities must dovetail and be attainable through struggle, and the duty of each enterprise to save material and living labor for society should be among these cost targets. If this target isn't accomplished, even if profits increase, state planning can still not be considered to have been comprehensively accomplished, and 10 percent of after tax profits must be deducted in order to spur enterprises to truly unify results and speed.

3. Mobilize technicians to make contributions to lowering costs. Require them to account for the cost of all technical activity and to initiate new conditions of integrating technology and cost. In addition to continuing to popularize the measures of "value engineering," planning for "design costs" can also be advocated when designing new products, planning for "mixing costs" can be advocated for the chemical, metallurgical and printing and dyeing industries, and planning for "post-measure costs" can be advocated when using new technology or carrying out technological transformation.

4. It is necessary to help enterprises to overcome a waiting ideology, and faced with each weak link, to strengthen enterprise cost management. All enterprises with relatively weak basic management work must still strive to master original records, quotas, calculations and news feedback. Other enterprises should generally stress the three areas of formulating target costs for new and old products, establishing and perfecting the system of economic job responsibility for internal cost management throughout the enterprise, and developing cost contrast analysis within the enterprise and for similar products in the same line.

5. Organize the forces of enterprise management associations and accounting and finance institutes, utilize various forms such as courses of lectures, consultations, mutual examination and exchange, and help enterprises to raise cost management standards one step.

6. Perfect the award system. It is recommended that concerned departments investigate former quotas and make certain necessary revisions of the 10 raw and processed materials savings awards. For other major raw and processed materials savings awards stipulated by the city we recommend summarizing the trial conditions, and faced with different situations, making certain improvements enabling them to play a greater role. Permit enterprises to formulate their own in-plant raw and processed material saving standards, and provided consumption of raw and processed materials truly decreases and the state truly profits, they can use reserves to issue awards within fixed proportions, and not suffer from the restrictions of awards all being issued from the top.

In order both to develop the above activities with momentum and to be able to carry them out in a down-to-earth and lasting way, the city must strengthen the leadership, and we recommend the establishment of a leading small group with the economic committee as the major factor and coordinated with the science committee and the departments of goods and materials and finance. The two levels of concerned offices and companies can be carried out with the planning and production departments as the major factor and coordinated with the financial affairs and S&T departments. Enterprises can rely on the existing comprehensive quality management network to replenish the financial affairs department forces and to stress this work. If we can stress persevering with leadership for 2 or 3 years, enterprise quality and economic results can continuously improve.

V. Appendix: Five Examples of Lowering Costs

1. The Shanghai Municipal Instrument and Meter Office Effectively Controlled Costs by Practicing Target Cost for 2 Years

Target cost is the stipulated cost target which a product cost should achieve within a fixed period, and is broken down according to each cost item, carried out to each link, and controlled and managed for production and marketing. Compared to traditional management methods based on fixed product cost, target cost has the following advantages. First, it expands the scope of cost management. The fixed product method can only manage old products, but target cost also has a controlling effect on new products, and can be even more suited to industries with many new products such as mechanical electricity and instruments

and meters. Second, target cost can be revised according to actual conditions, and compared to fixed product cost, it uses linked comparison method, and thus forms even more to reality. Third, target cost is broken down for each item of product cost, separately indicates different lowering targets, and can be combined with the system of economic job responsibility. Since target cost has these advantages, it can be popularized quicker in instrument and meter and mechanical electrical systems. The Shanghai municipal instrument and meter office formulated and assigned target costs in 1982 to 154 office-controlled products, 125 items achieved the cost targets by the end of the year, and the fixed product cost of these were lowered over 32 million yuan. Offices, companies and enterprises all had their own target costs in 1983, the office assigned 160 product target costs, and 118 products achieved the cost targets by the end of the year, for a net cost lowering of 26.43 million yuan.

In the process of carrying out target cost, the instrument and meter office had the following characteristics. First, all levels of the leadership paid attention to it, many target cost study classes were held in the office, and many factory directors and leading cadres of technical and professional departments participated in study. Meetings to exchange target cost experience were also held successively by the companies and the office, enabling many cadres to see its effects and to understand how it should be done. Second, it selected major decisive products to carry out target cost control and management, and thus stressed the main items of lowering cost and increasing profits. For instance, the electric vacuum company determined target costs for 50 products, the output value constituted 76 percent of the projects throughout the company, sales income constituted 78 percent, profits 81 percent and costs 77 percent, and economic results throughout the company were able to be determined by stressing these 50 products. Third, it did a good job of breaking down target costs, integrated them with staff members and workers' awards, and carried out the system of economic job responsibility. The Hujiang instrument plant made a detailed breakdown of target costs for 45 products, assigned 49 cost targets to all administrative offices and shops, broke down 204 items to teams and groups, broke down 93 specific targets for alteration costs, established cost quota checks, carried out graded and return management, and clarified the system of economic job responsibility. It carried out monthly accounting and examination, linked all specific targets to fixed awards, and formed a target cost control system criss-crossed throughout the plant from top to bottom. Fourth, it paid attention to combining economics and technology, utilized value engineering and avoided unnecessary functions in the process of formulation and realizing target costs, and many enterprises considered post-product cost standards when designing new products and assigned target costs throughout trial-manufacture. Since it used many effective measures, carrying out target cost promoted lower costs and good economic results were achieved. The Dazhuo TV company assigned target costs to 160 varieties in 1983, 125 products achieved the cost targets, costs were lowered 16 million yuan, and 9.6 million yuan of this was for new products.

2. Shop No 205 of the No 2 Shanghai Pharmaceutical Factory Promoted Large Scale Lowering of Costs by Carrying Out the System of Economic Job Responsibility

Shop No 205 of the No 2 Shanghai pharmaceutical factory continuously strengthened economic business accounting for the past 2 years, carried out the following

responsibility, established a shop, team and group, and station 3-level accounting network, and spurred continuous lowering of costs. The cost of raw and processed chemicals for its major product vitamin E had reached 642 yuan per kg when they began production in 1981, and they lost over 20,000 yuan in 3 months. They strengthened management in 1982, carried out economic responsibility, and lowered cost to 240 yuan, achieving the advanced standard throughout the country; and cost was again lowered to 152 yuan in 1983, 88 yuan lower than the previous year. Quality continuously improved, content exceeded 90 percent, and this was also the advanced standard throughout the country. They mainly accomplished the following work:

First, they established a 3-level accounting network, not only did accounting for teams and groups, but also for 17 existing working processes, and carried out station accounting based on working process. They unified accounting for different grades of a working process in order to promote coordination of staff members and workers from top to bottom grades, did good work on their own working processes, and strove to improve the income rate and to reduce expenses. They also provided highly responsible accountants, published accounting data daily, brought all kinds of data to the shop promptly, and reported problems as soon as they arose so that steps could be taken immediately. The shop also carried out a joint economic activity analysis each month. Accountants from teams, groups and stations were not withdrawn from production, but only had a higher award coefficient than the other workers in order to encourage them to do good accounting work.

Second, they established stage accounting, strengthened the system of checking calculations before acceptance, and did a good job of all basic management work. They successively established four stages of accounting. The first was team/station raw and processed material account books requiring detailed records on schedule, and all alterations and unclear records had to be discussed. The second was daily accounting of income volume, income rate, quality and per unit cost, and each station's daily cost accounting reports were published daily on a blackboard. The third was taking inventory and making reports every 10 days based on daily accounting. The fourth was collecting daily and 10-day accounting reports from teams, groups and stations by the shop to make a shop accounting table, making it easy for shop leaders and technicians to promptly grasp production and consumption conditions and to improve the work. Accurate calculations of invested material in the chemical industry cannot only reduce waste but also improve the income rate. In order to achieve accurate calculations of raw materials, they successively changed the calculation methods four times. Working processes from top to bottom and association between different stations were strictly checked before acceptance, and similar times were checked.

Third, they stressed consumption of major raw and processed materials. For example, 4 hydrogen furan is a rather expensive imported raw material, the supply volume will decrease one third in 1984, and production increases can thus only be brought by lowering consumption. They used different recovery methods based on the amount of waste liquid content, enabling the recovery rate to increase from 60 to 80 percent, and changed transportation methods, reduced storage, and added anti-oxygen chemicals to prevent oxidization, enabling consumption to be greatly lowered. The cost of 4 hydrogen furan per kg of vitamin E was 22 yuan in 1982 and was lowered to 18 yuan in 1983, saving 140,000 yuan.

Fourth, they broke down and revised cost targets. They broke down cost targets for each station, had income volume, income rate, quality and per unit cost quota targets, and checked and planned awards according to accomplishments. Expense quotas were also assigned to each team and group, promoting expense savings. For instance, newly turned over barrels in the shop were first filled with liquid, refilled with solids when they leaked, and then filled with garbage when broken. The shop thus saved 4,900 yuan in expenses in the second quarter. Targets were broken down to maintenance groups for large, medium and small-scale repair expenses through fund bond methods, and 5,000 yuan or 25 percent of the quota was saved in the first half of the year. Each station's targets were regularly revised according to achieved standards and potentials, and shop targets were handled this way too. For instance, the cost of vitamin E was 240 yuan per kg in 1982, the factory board assigned a shop target of 279 yuan for the year at the beginning of 1983, and it was realized in the first quarter. The shop revised the target to 191 yuan in the second quarter, asked the factory board to examine issuance of awards according to this target, and they actually lowered it to 162 yuan.

They were certainly not satisfied with the accomplishments which they had achieved, proposed even higher requirements, and continued to perfect all kinds of management methods in 1984. They adopted certain technically improved measures, strove to lower cost to under 100 yuan, and the content reached 96 percent of international standards. The No 2 pharmaceutical factory also plans to popularize shop No 205's experience throughout the factory, and all shops must establish a 3-level accounting network and carry out system of economic job responsibility.

3. Shanghai Municipal Food Industry Companies Achieved Good Results in Developing Similar Variety Product Comparative Cost Analysis

Due to different enterprise production periods and disparities in areas such as technology and management, cost standards for similar products are often quite different, and these disparities are even greater for each cost item. Through one by one comparison in areas such as raw and processed materials consumption, man-hours and expenses, development of similar variety product analysis can seek out the disparities in areas such as equipment, technology, techniques, operations, management and the potential for lowering cost in order to facilitate the adoption of measures and to achieve the goals of reducing consumption and lowering cost. With the support of financial departments, food products companies have organized factories in the same line to develop similar variety cost comparison in recent years. There are three types: The first is of regular production products such as the citric acid products of two brewer's, two alcohol plants and two fermentation plants; the second is of certain seasonable produced products such as canned products produced by three food products plants; and the third is selecting fixed areas of comparison for products of similar variety but different specifications and trademarks such as organizing nine candy factories to compare and appraise wrapping paper consumption in 1983, compare candy of similar price standards. The companies successively formulated unified cost accounting rules for candy and alcoholic products, enabling cost appraisals to have unified standards. A meeting was held each quarter on each type of product participating in the appraisal to examine the appraisal, exchange conditions, praise the advanced and print and distribute cost comparison data bulletins.

Similar variety product cost comparisons have a great promotional effect on the work of lowering cost. The Yimin No 1 plant overspent 610,000 yuan on canned product costs in the first quarter of 1983, 200,000 yuan of this was price increases, 210,000 yuan was per unit consumption increases, and conditions were also bad in the other two canned production plants, Meilin and Taikang. The three plants analyzed the reasons during the first quarter canned products cost appraisals, sought out the disparities, adopted measures such as improving quality, lowering consumption and reducing expenses, and moreover carried out production links one by one for major products such as canned mushrooms and green soybeans, especially carried out fixed packing of boxes for the procurement link, and achieved quite good results. Conditions had greatly improved by the end of June, the first quarter overspending had been reversed, and comparing the first half year to the previous year, the per unit consumption for canned mushrooms had been lowered from 839 to 815 kg per ton or 3 percent, and expenses from 182 to 154 yuan or 15 percent. Per unit consumption for green soybeans had been lowered from 1,347 to 1,311 kg per ton or 3 percent and expenses from 99 to 78 yuan or 21 percent. Through objective factors such as lowering per unit consumption, reducing expenses and remedying raw and processed material price rises, cost overspending was reversed. The Yimin No 1 plant's canned products costs were lowered 520,000 yuan and costs were lowered 550,000 yuan throughout the plant and a total of 1.59 million yuan for the three plants. Yet each plant's cost standards were still quite uneven, and they again further sought out the disparities during the second quarter cost appraisals. Per unit profits for canned mushrooms were 35 percent short, and if they could all reach the Yimin No 1 plant's consumption standards, profits would increase 160,000 yuan. If green soybean profits could reach the Meilin plant standards, income would increase 180,000 yuan.

Based on similar variety cost appraisals, the companies also regularly developed similar product inter-plant competition, promoted high quality, high production and low consumption, and took some company award funds for awards. Before canned mushroom production began in the fall of 1983, the companies also promptly sent out notices, continued to carry out fall mushroom production inter-plant competition, stipulated different requirements for deciding on work points and calculating awards in areas such as quality, profits, per unit consumption, output, labor consumption and safety, and developed competition.

4. The Shanghai Municipal Household Hardware Company Achieved Remarkable Successes in Strengthening Foreign Processing Management

The household hardware industrial company under the Shanghai municipal handicraft industry office mainly produces small household hardware products and has many small enterprises and heavy production duties. Production capacity, equipment, space and manpower are all in rather short supply, and it therefore does quite a lot of foreign processing. There were 539 foreign processing points throughout the company in 1982, and its processing expenses reached 99.2 million yuan or 23.5 percent of total costs. Most units which do the processing are city and town collectives and rural commune and brigade enterprises, their technical and management standards are both quite low, consumption and cost standards are quite high, and commissioned per unit costs have increased correspondingly. Therefore, helping foreign processing units to reorganize their enterprises, strengthening management, reducing consumption and improving efficiency play a great role in lowering costs.

With the assistance of the finance department, the company began reorganizing and strengthening foreign processing management in 1981, mainly reorganized processing dissemination points and quality during the 2 years of 1981 and 1982, and established and perfected various basic management systems. Eight basic achievements were made among its subordinate enterprises and processing units: i.e. production progress was planned, incoming and outgoing goods and materials were calculated, quality tests were standardized, consumption quotas were accounted for, rejects and deficient materials were recovered, account books were kept for incoming and outgoing stocks, end of month inventories were taken, processing expenses were checked, and costs were lowered and profits increased 5.8 million yuan for the 2 years. Higher requirements were proposed for foreign processing beginning in 1983, and mainly through reducing processing per unit raw and processed materials consumption and damage and waste, processing expenses and costs were lowered. They also selected 13 key enterprises with annual processing expenses of over 1 million yuan, and stressed processing unit examination work on 4 proportions such as the proportions of quality products, rejects, damaged semi-manufactured goods and materials utilized. Based on the need to select superior processing, they reorganized processing units, revised consumption quotas or processing contracts, clarified economic responsibility, and implemented awards and compensations. For example, through investigation, the Huasheng electric fan plant discovered that units which carried on silicon steel foreign processing had sold good materials and then purchased leftover bits and pieces as substitutes. And by reorganizing processing points and materials specifications, and strengthening management and examination of processing per unit raw and processed materials consumption, they could both stop up loopholes and save raw and processed materials, and save over 200,000 yuan in materials costs throughout the year. These 13 enterprises all achieved remarkable economic results through semi-annual reorganization, processing quality improved for 8 of the 13 during the first half of the year, per unit consumption markedly decreased for 10 of them, and profits thus increased 990,000 yuan and it is projected that they will increase 2.18 million yuan for the whole year. During the first half of the year, 74 specialized cooperative processing units throughout the company system established a system of daily and 10-day production reports, 233 processing units established monthly inventory systems, and the company system successively signed 270 foreign processing economic contracts. Through strengthening foreign processing management in 1983, the entire company system improved quality and lowered consumption, reducing processing expenses and increasing profits 3.59 million yuan.

5. The Dazhonghua and Zhengtai Rubber Plants Used Value Engineering Methods To Lower Tire Costs

Value engineering is a new management method in common use at present which combines technology and economics. Through functional analysis of products, it uses methods such as economizing on substitutes and improving technology to reduce unnecessary functions, to ensure quality and to lower raw and processed materials consumption, thus lowering cost. It is suited to both new product design and old product improvement. Based on data indications both at home and abroad, popularizing applied value engineering can generally lower costs 5 to 30 percent. This city has also achieved quite good savings results through popularizing value engineering in the past few years. The Dazhonghua rubber plant began using value engineering methods to make analyses in 1980,

and discovered that tires made in China were generally overweight compared to similar foreign products. Each 900-20 tire was 5-6 kg overweight, used too much rubber and cord fabric, and was also deficient in wearability. They improved tire design mainly by using thick nylon cord fabric to reduce the number of layers, decreased the thickness and lightened the weight, and saved a lot of rubber and cord fabric. They experimented on large standard tires first, gradually popularized it after acquiring experience, and lowered cost over 20 yuan per tire. The plant successively used these measures in 1982 on several standard tires such as the 1400-20, 1200-24 and 1200-20, lowered costs over 500,000 yuan, and popularized it to the 900-20 tire in 1983 with even better results. They used the 1680/D2 thick nylon to replace the former 1280D/2 nylon, decreased cord fabric from 10 to 8 layers making the tire thinner, and saved 2.42 kg of rubber and 0.43 kg of cord fabric per tire. They saved 50 tons of rubber, 9 tons of cord fabric and 443,000 yuan on this standard tire alone. Thinner and lighter tires also improve the utilization value, cool quickly, decrease wear and tear, correspondingly reduce resistance, and can save vehicle fuel. Components of grade 4 tubes were reduced, they were lightened, and 27 tons of grade 4 rubber were saved in 1983, lowering cost 111,000 yuan. The Zhengtai rubber plant also used value engineering and had similar good results in analyzing quality and consumption. They saved 122 tons of rubber, 8 tons of cord fabric and lowered cost 842,000 yuan in 1983. These two plants plan to popularize it to other products and to gradually adopt value engineering analysis methods in order to lower costs and strive for greater results.

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ECONOMIC MANAGEMENT

MEASURES TO REFORM ENTERPRISE MANAGEMENT IN FUJIAN ADOPTED

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 6, 5 Jun 84 pp 6-7

[Article by Fujian Provincial Economic Committee: "Reform, Decentralize Authority and Support 'Unloosing the Fetters' of Enterprises"]

[Text] In the latter half of March, 55 factory directors (managers) bravely sent out a letter of appeal to the provincial committee leaders to "please unloose our fetters," asking that they be given the necessary authority to enliven enterprises in order to make contributions to construction of the Four Modernizations, reflecting the common aspirations of directors and managers of a broad number of enterprises and factories. The provincial committee First Secretary Xiang Nan [7309 0589] resolutely made a policy decision to immediately publish the entire text in the FUJIAN RIBAO. Following this, 35 commercial managers sent out an appeal to "unloose our fetters" also, thereby affecting the entire commercial front and causing an unprecedented momentum for progress in our provincial urban reform. Motivated by such opportune circumstances, all related provincial government departments issued a set of provisions to decentralize authority which contain the following major aspects:

Broadening the Authority of Enterprises Over Personnel and Labor Management: The principle that those running affairs are also responsible for managing people is to be established. Factory directors and managers of provincial enterprises are to be evaluated for appointment or removal by the departments and bureaus in charge. Those of prefectural, city or county enterprises will be evaluated for appointment or removal by the economic committee (finance) or bureaus in charge. Deputy directors and deputy managers of the enterprises will be nominated by factory directors and managers and evaluated for appointment or dismissal according to the aforementioned management method. The enterprise's middle level administrative cadres (including assistant factory directors) will be appointed or dismissed by the factory directors after soliciting the opinions of the party committee. The tenure of office for the middle level cadres appointed by factory directors shall be on an equal footing with that enjoyed by middle level cadres originally appointed by higher level departments in charge. Enterprise cadres fulfilling floating posts may do so on both high and low levels, both as "cadres" and "workers." Enterprises have the authority to decide their own organizational set up, and higher levels may not interfere. Enterprises recruiting workers are to carry out open evaluations, selecting the most qualified for employment. They also have the authority to decide on

the employment of seasonal and temporary workers. Within the scope of counties (cities), the transfer of workers between enterprises shall be determined by both of the enterprises involved; it is not necessary to submit to higher authorities for approval.

Broadening the Authority of Enterprises Over Financial Management: Enterprises have the authority to allocate retained funds. For bonus funds, they can carry out a "system of linking floating taxes (profits) to payment of bonuses," whereby floating bonuses would follow the increases or decreases in taxes and profits, with no cap set and no bottom guaranteed; in addition, there would be awards and penalties. In repaying loans for technological transformation, enterprises should take profits realized from the prior year of operations as the base and should carry out pretax loan repayments after first taking the "two funds" out of new increases in profits. Those having difficulties may apply for a reduction or remission of new increases in industrial and commercial taxes. Taxes may be cancelled from 1 to 2 years for new products, and enterprises may set the prices for periods of trial marketing of such products themselves. In the 11 cities where the province has established new product development funds, a 0.3 percent share of the enterprise's sales income may be taken to contribute to the costs of these funds, to be controlled by the enterprise's department in charge and to be used exclusively for the trial-manufacturing of new products. With regard to industrial products of daily use outside of planned or contracted procurement, commercial departments may take out a 0.1 percent marketing fee based on sales income and include it as an item of expense. This application will be controlled by the enterprise. The staff members and workers of commercial enterprises who in their sparetime set up stalls and places to do retail sales of commodities at cut prices may deduct a 2-4 percent service charge based on volume of sales, to be listed by enterprises as an expense item.

Broadening the Authority of Enterprises Over Business Management and Administration: Methods of business management and administration can be flexible and diverse. State-run small enterprises can open their doors, they can be managed according to collective enterprise methods, and after taxes assume self-responsibility for their own profits and losses; they can carry out collective contracts. Labor service enterprises can carry out leasing activities. Nanping City economic committee continues to carry out contracts with progressively increasing profits. The authority to approve technological transformation will be moved to lower levels. Xiamen Special District has complete power of approval; for other prefectures, approval will be handled separately by either prefectures and cities or departments and bureaus for those technology import projects with investment of under 1.5 million yuan and using foreign exchange under \$500,000. For domestic projects under 1 million yuan, provincial departments and bureaus in charge will approve; those over 2 million yuan must be approved by the provincial economic committee organs. The limits of authority over technological transformation in units below the county level will be prescribed by the prefectures and cities themselves.

Reform Price Control Methods for Manufactured Necessities; Give Enterprises the Authority To Determine Their Own Prices Within Prescribed Limits: The prices of some products will be allowed to float to lower levels and some may float to either higher or lower levels, with the degree of fluctuation to be

determined either by joint consultation and agreement among industrial and commercial enterprises or on their own. In addition some products will be controlled by lower levels and their prices will be administered by prefectures and cities or departments and bureaus. The remainder of manufactured articles for daily use, except for a few goods intimately connected with the people's livelihood, will uniformly be freed to float along with market forces and their prices will be set by the enterprises. In general those who have won title to the highest grades of state products will be permitted to let prices float to higher levels not to exceed 20 percent based on current prices; and those entitled to handle the highest grades of ministry and provincial products are allowed to let prices float to higher levels not to exceed 15 percent, to be controlled by the enterprises themselves. The prices of products which have been determined by inspection departments to be of inferior quality may be lowered by 20 to 30 percent based on current prices. Enterprises shall have the authority to sell on their own products for which they have increased production by organizing raw materials on their own, including products in great demand in the marketplace.

Reforming the System of Enterprise Leadership: The factory director responsibility system should be tried out in the 55 enterprises which appealed to "unloose our fetters," moving forward to broaden the authority of factory directors. Based on preliminary practice, and given the fact that enterprises will be free to "unloose their fetters," we feel that there are still the following several problems which need attention:

First is to start off based on realistic conditions; if "fetters are to be unloosed," control over lower levels cannot be completely relinquished. Especially in the area of financial management, if enterprises are to be given authority over financial affairs to increase vitality, they must adhere to the principle of concentrating their financial resources. They cannot influence state revenues. Because of this, authority over areas generally included under administration (such as personnel management authority, approval authority over technological transformation) can be eased somewhat; in areas related to finance and the pricing of goods, standard norms should be carefully followed. Under the circumstances of upholding a socialist planned economy and emphasizing macroeconomic results, there are a number of areas which still need to be restricted somewhat, which still need "cages."

Second is to "unloose fetters" from top to bottom and from all sides simultaneously. Not only should authority be distributed in a planned way to lower levels involved in personnel, finance, materials and economic management, but also with regard to certain individual projects, authority should be smoothly apportioned among all the departments involved. For example, in transferring approval authority over technological transformation to lower levels, it is necessary for the economic committee, finance, banking, tax, customs and other departments to all be coordinated, and this should be carried out simultaneously. There must also be synchronous distribution of authority from top to bottom, including the synchronous distribution of authority among higher and lower levels within one department, otherwise it might happen that authority is eased at the higher levels but blocked at the middle level. Thus the provincial government is requiring that in addition to the provincial government making unified stipulations concerning measures to transfer authority, all pro-

provincial departments directly related shall correspondingly draw up concrete stipulations for transferring authority and transmit them in formal documentation to lower levels, thereby facilitating implementation by lower units.

Third is that authority should be transferred downward layer by layer, but the resting point must be the basic level enterprise. Enterprises are commonly worried that higher level redistribution of authority will only result in "a new mother-in-law" exchanged for "an old mother-in-law," or a "small mother-in-law" instead of a "big mother-in-law." Consequently, transferring authority must not be confined only to shifting powers among higher level prefectures and departments. It is more important to turn power over to the basic level enterprise, to put it into the hands of the factory director and managers. Each prefecture, city and county, each department in charge of an enterprise also must have the authority to provide enterprises with concrete measures.

Fourth is that the transfer of authority requires a red title document; use of authority requires the courage to take risks. Factory directors and managers say that making promises by word of mouth is not sufficient; merely publishing expressions of attitude in newspapers does not count. Only a red title document provides a basis for implementation. But having such documentation is not the equivalent of putting one's powers into effect; it all depends on the courage, resourcefulness and talent of the factory directors and managers. They must dare to use authority and know how to use authority. When power is greater, relative responsibilities are heavier, and under certain conditions it is necessary to have the spirit of risk-taking. Only in this way will higher levels be able to make a reality of transferring authority to enterprises, opening up and forging ahead, developing production and improving economic results.

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ECONOMIC MANAGEMENT

FLEXIBLE POLICIES TO ENLIVEN SMALL ENTERPRISES IN HEBEI ADOPTED

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 6, 5 Jun 84 pp 8-9

[Article by Hebei Economic Committee Office: "Broaden Policies, Foster the Development of Collective and Small-scale State-run Industrial Enterprises"]

[Text] In order to foster the development of collective ownership of industry in cities and towns and move forward with enlivening the management of production in small-scale state-run industrial enterprises, and on the basis of summing up practical experience and in the light of some new situations and problems of recent years, Hebei Province has issued the following stipulations:

With regard to collective enterprises:

(1) We must safeguard and develop enthusiasm for collective industry. With regard to the principles for upholding who initiates and manages collective industrial enterprises, no unit, department or individual may use any excuse whatever to indiscriminately allocate or transfer their funds, materials or labor.

(2) Collectively owned industrial enterprises all should institute independent business accounting practices, bearing their own responsibility for profits and losses. All units carrying out centralized responsibility for profits and losses should without exception change over to a system where the enterprises themselves bear responsibility for profits and losses.

(3) The system of assigning laborers to collective enterprises by labor departments should be changed to one where laborers are approved by the enterprise departments in charge. Enterprises should recruit workers themselves by means of examinations and selection of the most qualified, putting their names on file with the labor departments. No department may use administrative means to force enterprises to place any persons in key positions. Regarding the wages of newly hired personnel in enterprises, the bank should grant disbursement. The length of service of staff members and workers in collective industrial enterprises in cities, towns, districts and neighborhoods should be uniformly calculated beginning with the first day of entry into the factory to work. The enterprise has the authority to make decisions concerning employee rewards and penalties, discharges after contracts have expired, and dismissals.

(4) Democratic administration should be implemented. Collective enterprises should gradually pursue a system of democratic election of cadres. The leading cadres of enterprises who have been elected democratically can be reelected and appointed consecutively and receive allowances in line with their duties. Major questions such as development planning, production management, major technological transformation projects, increases or reduction in personnel and distribution of earnings for the enterprise shall be fully discussed with the staff members and workers. Democratic supervision shall be carried out.

(5) Collective industrial enterprises in cities and towns may institute forms such as floating wages (total or partial), piecework wages, above quota piecework wages, a fixed percentage with variable value, a variable percentage with variable value and dividing up retained earnings. In order to enable the elderly to retire and to ensure a livelihood for staff and workers who have lost their ability to work, an amount equivalent to 10-15 percent of total wages can be taken out of pretax profits for a social insurance fund which will be a special item of deposit earmarked for these special uses.

(6) Except for expenditures which should be made by enterprises after approval by the State Council or provincial government, no department or unit shall use any pretense whatever to arbitrarily allocate expenses to an enterprise. Enterprises have the authority to refuse in this matter. Administrative expenses drawn by departments in charge of collective enterprises may not exceed 1 percent of the enterprise's sales (business) turnover; enterprises shall turn over to the departments in charge for collective facilities construction funds an amount not to exceed 10 percent of after-tax profits if they exceeded 20,000 yuan and nothing if after-tax profits were less than 20,000 yuan. Collective facilities construction funds taken out by collective enterprise departments in charge are not to be used for gradual payments to higher levels; they are primarily to be used for developing collective enterprise in the locality in question.

(7) Amass capital by every means possible to develop collective industry. For other sources of capital besides the financial reserves at all different levels of local government and bank loans to lend support, the capital of factories, mines and other enterprises, of rural communes, brigades and the masses of commune members should be drawn on, initiating "little but special" light collective industrial enterprises or carrying out technological transformation. With respect to the funds collected, interest should be paid according to the amounts invested, and there should be return on capital with a fixed period for recovery. Staff members and workers of an enterprise in question may become shareholders, with dividends paid according to shares. Beginning in 1984 the rate of depreciation for fixed assets of collectively owned industrial enterprises should, according to business conditions, be gradually increased to 8-12 percent. Depreciated funds should be completely retained for use by the enterprise. New increases in profits after going into production should first be used to pay back any loans which the collective industrial enterprise may have utilized to carry out new construction, expansion or technological transformation projects, and then taxes incurred should be paid. Newly set up collective enterprises are exempt from paying taxes for 1 year beginning with the day the enterprise goes into operation.

(8) For all products included in planned quotas above the provincial level, enterprises should be treated equally along with state-operated enterprises with regard to needed materials centrally distributed or handled by ministries. Materials should be provided by material departments in an organized way according to plan. For products brought into local planning, the necessary materials should be provided through local organizations. As to materials needed for products outside of the state plan, in addition to selection and procurement of materials by enterprises themselves, the processing of imported materials, the exchange of products and the establishment of raw materials bases, the provincial planning departments may, after considering the overall balance and under conditions permitted by natural resources, make allocations on their own and supply to selected prefectures and cities materials needed.

With respect to budgeted state-run small-scale industrial enterprises (those with fixed assets originally valued below 1.5 million yuan, with annual profits under 200,000 yuan), adopt progressively relaxed policies.

These enterprises may follow the methods of collectively owned enterprises and pay taxes according to an eight-tiered excess quota progressive taxation system. After-tax profits can be used to pay tax quotas and may also be completely retained by the enterprise. All small-scale enterprises with average annual personal profits of less than 300 yuan may implement a profit-contract system, for example, an entire quota may be divided up, a base amount may be retained to add to growth of dividends, or there may be progressive increases in profit contracts. Enterprises incurring losses may institute ownership by the whole people and operate the business collectively. They may assign collective or individual contracts and may assign total or partial contracts. No matter what form is adopted, all these enterprises must sign contract agreements and make explicit stipulations concerning funds paid out for expenses, distribution of earnings, management of state property, economic responsibilities and so forth. With respect to implementing contract enterprises, ownership does not change, nor does the status of state employed staff members and workers.

With regard to enterprises earning very small profits with fixed assets originally valued over 1.5 million yuan, they may, according to the special characteristics of their businesses, scale down their plans or do a comprehensive restructuring of specialities or use other suitable means to develop business.

In order to fit the reform of patterns of enterprise management, under the unified leadership of the party committee, leading groups of enterprises may be formed using such means as recommendations by the masses, consultation with all sides and democratic elections.

ECONOMIC MANAGEMENT

REFORM OF MANAGEMENT SYSTEM IN CHINA'S SECOND LIGHT INDUSTRY

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 6, 5 Jun 84 pp 17-18

[Article by Ma Lingzhi [7456 3781 0037] and Chen Bangquan [7115 6721 0356]:
"A Major Reform of Our Nation's Second Light Industry Collective Enterprise
Management System--Reports on the Business Contract Responsibility System of
the Second Light Industry Collective Enterprises"]

[Text] At present all forms of the business contract responsibility system have been promoted on a widespread basis in second light industry collective enterprises. Special features of collective enterprises in cities and towns have been integrated, drawing on the experience of the joint production contract responsibility system in agriculture, searching and experimenting in order to progress with the opening up of a new phase of our national construction of light industrial production.

New Changes Brought About by the Business Contract Responsibility System

Pursuing the business contract system has brought a whole series of new changes: (1) It has promoted the development of production and improved economic results. According to statistics on the 35,746 collective enterprises in the second light industrial system, output value increased by 7.66 percent in 1983. Profits and taxes increased by 10.55 percent. Not a few enterprises suffering losses experienced the changes of "turning losses into profits" and of "being reborn after following destructive paths." (2) The feeling on the part of staff members and workers to be masters of their own affairs has become stronger in general. Factory discipline and plant environment has changed greatly. The mental outlook of staff members and workers has changed greatly. Many workers say: "In the past we drew fixed wages, getting the same no matter what the work results were, always eating whether we earned it or not. Because of this cadres became weak, workers became lazy. Now it is not this way. We each have economic responsibility now; the burden of a thousand jin is on the backs of many; there are targets on everyone's shoulders." (3) The tradition of running factories industriously and thriftily has been restored, bureaucratic structure has been streamlined and nonproductive personnel reduced. (4) Besides good business cycles in enterprise are intimately connected with the economic benefits to staff and workers, in order to select able talent and hire "enlightened people," new pathways have been opened up, and a group of talented factory administrators has emerged. Seeking "enlightened personnel" to manage affairs has resulted in quite a few enterprises readjusting their leading style.

because of snobbishness and carrying out democratic elections of factory directors, thereby improving the quality of their leading groups. Factory directors who have been democratically elected in each place have all been in the prime of life, have a deep love for the collective, have practical experience, and have a heart linked to the hearts of the masses of staff and workers. (5) We have expedited consolidation and restructuring of enterprises and have promoted democratic management of enterprises, thoroughly carrying forward the fine traditions of flexible management of collective enterprises. Many places have taken the initiative to adapt to market demands in accordance with the diverse features of collective enterprises which have the special characteristics of "a small boat that is able to maneuver quickly," bringing production and the marketplace into contact, and products face to face with consumers. For some the front door is the shop, the back door is the factory; some walk the streets and go from alley to alley providing doorstep services; some process incoming materials, assemble incoming parts, take orders according to style and exchange new for old. There are all sorts of diverse methods for management, bringing life and color into enterprises, presenting a flourishing scenario.

The Form and Content of the Business Contract Responsibility System

The purpose of implementing the economic contract responsibility system is to strengthen administration, improve the quality of enterprises, promote the development of production and improve economic results. Its nucleus is overcoming the abuse of eating out of "the same rice bowl," overcoming egalitarianism and genuinely carrying out the principle of distribution according to work. Managing enterprises according to the nature and characteristics of collective economics greatly arouses the enthusiasm of the workers and staff members of enterprises. Consequently, the focal point in contracts everywhere is to concentrate on the changeover from centralized accounting and central responsibility for profits and losses to independent accounting, bearing their own responsibility for profits and losses, carrying out self-management and democratic administration. With respect to distribution, this links the income of staff members and workers directly with the economic results of the enterprise and the productivity of each person, bringing about the integration of responsibility, power and profit.

The business contract responsibility system in all localities may by and large be divided into two aspects: one is the set of contracts between the enterprise and the bureau in charge and the department in charge. According to the state planned quotas and needs, enterprises contract for all economic targets such as output value, output volume and profit. Some only contract to pay cooperative facility funds and administrative fees. The focus is on what is fitting for each factory. There are bonuses for completing or overfulfilling contract quotas. There are standard penalties for not fulfilling quotas. Some apply weightier bonuses or weightier penalties toward the leaders of the enterprises. The second aspect is the system of internal contracts of the enterprise; in effect the enterprise takes the economic quotas contracted for with the bureaus in charge and delegates the work among the workshops, teams and individuals, implementing layer upon layer of contracts and special projects and specialized contracts (like capital construction, scientific research projects, a system of trials for new products, etc.) in one continuous line of contracts to supply and market, or supply, produce and market. These types of

internal contracts in general all have assigned targets and protective measures with respect to such things as volume of output, quality, variety, consumption, and safety, and all have means of bonus compensation, which tightly links up responsibility, authority and benefit. In the distribution of earnings, generally the enterprises all use floating wages linked to output and profit, dividing it up proportionally and also according to overfulfilled quotas. There are also contracts for making payments to higher authorities. With respect to individuals who can independently complete their products or repair and service enterprises suited to individual management, they may adopt the method of pure profit dividends or contracting to pay profit to higher authorities. With respect to remuneration for administrative personnel and nonproductive personnel, payments should be linked directly with the enterprise's economic results and follow the floating wages of workers. Payments may be slightly higher than the average worker for large contributions.

In order to arouse the enthusiasm of workers and peasants many places have readjusted the organizational structure of enterprises. Some have taken unrelated sectors of multiple-producing factories according to product and industry and divided up their management, establishing individual households who do independent accounting and bear their own responsibility for profits and losses; some have taken large-scale machine intensive enterprises and scaled down accounting units, relaxing links, dividing up management; some have taken the diverse products originally produced--even by enterprises cutting across many industries--and changed over to being more specialized, concentrating on one or two products.

Each locality also distinguishes the differing situations of enterprises, giving rise to differing focal points and requirements of contracts. Some provinces institute profit contracts with enterprises which are making money. Any excess revenues are divided up; there are bonuses for fulfilling targets; the further above the targets, the greater bonuses. Those running behind their quotas must pay penalties according to regulations. Regarding enterprises suffering losses, they are given a limited period in which to turn their losses around; if they go over the time limit, there are penalties; if they turn their losses around, there are bonuses through total retention of profits, or dividends. Regarding enterprises with relatively stabilized business and a basic balance of supply, output and sales, they implement various assigned quota contracts such as those for output value, profit, sales quotas, and payments to higher authorities. Supply and marketing units implement such target contracts for capital funds, expenses, and profits, using the method of fixed percentages for bonuses and penalties.

In the internal contracts system of enterprises in each locality, in order to carry out the principle of receiving pay according to work done, they have put into practice the more profit, the more return; the less profit, the less return; no profit, no return. If the enterprise suffers losses, all personnel bear the responsibility. In the system of distribution, there are many methods in effect. Fixed wages have been changed to floating wages; there is the total floating of wages, floating of one half of wages, or partial floating of wages. Some carry out piecework wages or above quota piecework wages. Some use dividend wages, choosing either a fixed percentage of a varying output value, a varying percentage of varying output value, or a varying percentage of a fixed

output value. Some implement large contracts or divide up and retain earnings, and so forth. Some cities, in the changeover from fixed to floating wages, have prominently emphasized that the degree of increase in individual income may not exceed the rate of profit and labor productivity, and also that the degree of increase in created profits and taxes for each worker or staff member may not increase the cost content of wages. Some provinces, in changing over from fixed to floating wages, in addition to consulting bonus regulations of enterprises throughout the nation, have insisted on not setting caps for individuals and on not leveling out all workshops, teams and groups. With regard to well-managed collective enterprises, treatment of workers and staff members and collective prosperity may exceed that of similar types of state enterprises.

In contracts everywhere, launching worker and staff shareholding and the pooling of resources also are concrete reflections of bringing into play the special characteristics of collective enterprises. Collective shareholding has not only built up collective economic strength, it also has forged strong economic ties between workers and staff members and enterprises. Forms of shareholding are not the same everywhere. Some pay out stock dividends, some compute interest on collective funds. When implementing fixed payments for shares, the general practice is to link up money for shares with enterprise profits; enterprise profits can be used to carry out dividend payments. Shareholders must also bear the burden of fixed losses for enterprise losses. Another form of collective shareholding is to launch voluntary shareholding on the part of workers and staff members. There is no limit to the number of shares which may be purchased. The enterprises use this money to carry through payments on collective funds. It is returned after a fixed period. Interest on the principle is paid out at a rate slightly higher than bank interest on deposits. Voluntary shareholders do not bear responsibility for enterprise losses.

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ECONOMIC MANAGEMENT

PRICING SYSTEM FOR NEW PRODUCTS ANALYZED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese
No 7, 20 Jul 84 pp 48-50, 27

[Article by Hu Jinxiang [5170 6651 4382], Nantong City Party School,
Jiangsu: "Set Rational Prices for New Products and Promote Technological Progress"]

[Text] The question of how to set rational prices for new products so as to accelerate technological progress is a major task in China's economic reform. If we are to promote new products, we must place great emphasis on the use of economic levers to create, develop and disseminate application of such products and to promote technological progress. This article will attempt to offer some simple ideas regarding the effect of current prices for new products on technological progress and the principles and methods of setting prices for new products.

Existing Problems in the Pricing of New Products

One of the functions of prices is to promote technological progress. New-product prices play an important regulatory role in the trial production, mastery, employment and dissemination of new technology. If new-product prices are irrationally set, either too high or too low, they will impede technological progress.

The following are factors in the current pricing of new products that affect development of such products and dissemination of new technology.

First, new-product prices frequently do not take the interests of both producers and consumers into consideration. During trial production, normal expenses and costs are high. If one favors consumers [as published; probably intended as producers] and sets prices high, consumers will find these unacceptable, and no one will show interest in new products. If one favors consumers and reduces prices, then producers will find old products more profitable to produce, producers' enthusiasm will be affected and new products probably will not reach the market.

Second, if the relative prices of old and new products is irrational, the latter will not be as profitable as the former to produce. Socialized enterprises now are relatively independent business-accounting units. In the past, enterprise profits were remitted in their entirety to superior agencies, losses were subsidized by the state, bonuses did not exist, everyone "ate from the same big pot" and no one stressed business accounting. Since the 3d Plenum of the 11th CPC Central Committee, we have gradually expanded enterprise autonomy and implemented the profit retention and bonus systems, thus giving simultaneous consideration to the interests of the state, the collective and the individual and mobilizing the initiative of the broad masses of workers and staff. In general, new products have not achieved the output value and profit enjoyed by old products. When less money is earned, enterprise profits, collective welfare funds and workers' bonuses are correspondingly reduced. If appropriate measures are not adopted, the state of affairs inevitably will affect enthusiasm for developing new products.

Third, new-product trial-production expenses and costs are great, and their pricing tends to be high. In general, new products must go through trial production and small-lot production before they can be mass-produced, and many expenses occur during this process. How should these expenses be handled? Should they be included in prices? These questions are crucial for enterprises engaging in trial production. For if costs are not incorporated into prices and no other sources of subsidy exist, enterprises will not be able to undertake trial-production work. On the other hand, if costs are included, prices for new products will rise tremendously, and successfully developed new products will prove hard to popularize.

Fourth, some chaos exists in the administration of new-product pricing. One document that provided for expanded enterprise autonomy also granted authority to pilot-project enterprises producing new products to set the prices for these goods with reference to the market prices for similar, existing products. Meanwhile, in order to encourage product innovation and dissemination of new products, some central industrial departments also granted authority to affiliated enterprises to set ex-factory prices for new products during trial periods. These two provisions clearly differ very greatly in their approach to the jurisdiction over new-product pricing: one limit's authority merely to pilot enterprises, the other includes all affiliated enterprises. If this goes on continuously, there inevitably will be even greater chaos in the administration of new-product prices.

New-product development faces problems in other areas besides pricing. Yet pricing is one of the primary problems affecting that development.

Principles of New-Product Pricing

New-product pricing should adhere to the principle both of encouraging enterprises to develop new products so as to promote old-product replacement and of facilitating new-product dissemination so as to increase economic benefits. This principle requires that the economic benefits brought by new products be rationally distributed between producers and consumers and that new-product prices be neither too high nor too low. If prices are set too low, enterprises will be unable to recoup the labor expenses they incur during new-product (trial) production. That is to say, enterprises will not be able to recover costs and sales taxes after the goods are marketed. Thus such prices reduce enterprises' economic benefits, do not encourage enterprise enthusiasm for new-product development and are not conducive to the technological transformation of all sectors of the national economy. On the other hand, if prices are set too high, this will reduce the economic benefits obtained by consumers through the use of new products and thus will affect dissemination of such products, make it difficult for us to escape the backward state of production that has persisted over the last few decades and likewise will not be conducive to the technological transformation of all sectors of the national economy. The above comprises the general principle for setting new-product prices. This principle also requires that, since conditions in new-product development vary greatly, specific principles should be established, according to the general policy of facilitating technological transformation, for each situation. Such principles read as follows.

1. Guarantee the Profit Margins Required by Enterprises Producing New Products

There is a direct relationship between the profit margins enjoyed by enterprises producing new products and the price of those products. Enterprises hope that profit margins for new products do not dip below those for old products, and if that happens, enterprises will lose their material incentive to produce new products. However, if increases in profit margins are dependent on rises in new-product prices, this will impede technological progress, and consumers will be loath to purchase such products at those prices.

2. Insure That Consumers of New Products Derive a Certain Amount of Economic Benefit Therefrom

When consumers purchase a new product, they usually consider levels of both the advancement and the price of the product. Consumers may choose to buy a new product if its price, as computed with respect to the products' productivity and to other technological parameters, is lower than that of similar old products; if the first-year use costs of the product can be recovered; and if profits can be guaranteed not to decrease. Thus consumers are interested in whether or not the new product is more efficient than its older counterpart. More specifically, consumers are

concerned about whether or not the new product increases labor productivity, reduces wage expenses or consumption of production materials, has a longer service life, is more reliable, saves on major-repair costs and normal operating expenses and the like. Even if the new product is cheaper than its old counterpart, consumers may still refuse to buy the new product if it does not produce better economic results than the old one. But if consumers derive a certain amount or a large amount of economic benefit from the new product, they will show interest in and support new technology and employ the new product.

3. We Must Establish a Fund for Developing New Products

To implement the general principle of taking the interests of both producers and consumers into account when setting new-product prices, we must help producer enterprises resolve the following: (1) trial-production expenses for new products, (2) the amount by which costs exceed prices during trial and small-lot production phases, (3) the effect of new-product trial production on enterprises' attainment of output-value and profit targets and the corresponding reduction in retained profits and worker bonuses, and (4) the matter of how to recuperate costs of purchasing patent rights and of importing foreign technology. These problems confront all enterprises in varying degrees and, if not appropriately resolved, will cause greater losses for enterprises that produce more new products, which inevitably will lessen enthusiasm for developing new products and render technological progress impossible. To resolve these problems, relevant agencies in the past adopted such measures as defraying trial-production expenses, including such expenses in costs and reducing taxes on the enterprises concerned. But these efforts yielded insignificant results. Thus I believe we should establish a "new-product development fund," which should be created in a unified and proportionate way according to administrative level and to nature and supervising department. This fund can be used to defray planning and supplementary expenses for each agency's research, experimentation, design and technological work and for mastery of new-product construction for each agency's subsidiary and associated enterprises. The state-owned enterprise fund to complete trial production of the national new products. Each province, municipality and autonomous region should also establish such a fund to assist trial-production of regulated new products. There are three sources for this fund: the first can be allocated from insurance expenses in financial budgets; the second can be collected through Provincial Development Levy (paid on enterprise profit); and the third consists of low-interest or interest-free loans obtained from banks. Such a fund will subsidize the high costs involved in trial and small-lot production of new products and thus avoid affecting the profit for that work and overly high pricing and reduce the number of price adjustments that are really necessary. In short, we should avoid as much as possible increasing trial-production expenses for the enterprises in new-product efforts.

Pricing Methods for New Products

There are two types of new products: replicated new products and completely new products. Since new products differ in type, prices therefor should be set according to specific conditions.

1. Comparative Pricing Should Be Employed for Replicated New Products

Comparative pricing is a method of setting prices by comparing the output and utilization values of new and similar, current products according to technological-economic parameters. This method includes comparisons of labor expenses and economic results, linking production and utilization and setting rational prices that accurately reflect labor expenses that are required of society. Quantitative labor expenses can generally be computed directly. But to calculate the value of economic results, we must establish indices by which to assess new products. These indices may include: (1) the size of increases in labor productivity; (2) relative savings in workers' pay; (3) the rate of increase in profits, including savings on costs; (4) relative savings on raw materials, other materials and fuel; (5) relative worker and staff reductions achieved.

In employing comparative pricing, we must first select basic products. Replicated new products and similar current products are frequently used in the same way. But because the primary technical-economic parameters (for example, the quantity, speed, pulling power and energy consumption of tractors) differ, new products emerge that can satisfy specific needs. Prices for such products should be set according to those of current, similar products and to changes in primary technical-economic parameters. Selection of basic products should be based on existing domestic goods so as to facilitate technological transformation through new-product pricing. Next, we must assess whether or not new-product prices are acceptable to consumers. If prices are rational, consumers will find new products worthwhile and will gladly employ those products.

2. Loss Pricing Should Be Employed for Completely New Products

Completely new products are those that have never been produced domestically and for which comparative pricing cannot be employed. In the past, China set temporary prices for these goods according to trial-production costs and allowances for 5 to 10 percent profits. Once normal production began, costs declined, but prices frequently remained the same, and thus temporary prices became "favored prices." This method of pricing often encounters the following problems.

First, in order to obtain higher prices and profits, individual enterprises list replicated goods as completely new products. Second, temporary prices usually tend to be high, because they include part of the expenses for new-product trial production. Moreover, costs are computed by individual enterprises and do not represent social or actual costs. These exaggerated temporary prices do not facilitate new-product sales. Third, when mass production commences, product volume increases

and costs decline, but enterprises and their supervising agencies frequently try to extend temporary-price periods. To resolve these problems, I suggest implementing loss pricing during the initial period of new-product production. That is to say, we should set prices according to normal production costs and to the average profits of the departments concerned. With this method, enterprises producing new products will inevitably show losses. But such losses can be made up either through future reductions in costs and increases in profits or through subsidies from the new-product development fund. Subsidies, however, must be computed according to period and new-product production, and the subsidy period should not exceed 2 years. By using this method, we should be able to overcome anomalies in new-product pricing and encourage producer enterprises to reduce costs so that consumers feel that completely new products are not overpriced and thus can accept such products.

3. Implement a Two-Price Schedule for Outmoded Products

When outmoded products enjoy high profit margins, we can reduce the ex-factory prices therefor. To prevent enterprises producing outmoded products from obtaining any financial advantage and to encourage consumers to replace such products, we should implement a two-price schedule. This schedule would lower producer prices and ensure that that consumers' purchase prices do not change. The difference between the two prices would be remitted to superior financial agencies, and the system would compel enterprises to terminate production of outmoded products and encourage consumers to employ new products. Only in this fashion can we avoid the previous situation in which reductions in sales prices increased consumer demand for outmoded products. In the past, we did not sufficiently understand this problem, usually believed that by reducing the prices of outmoded products we could force producers to terminate production thereof and ignored the fact that consumers might thus increase their demand for such products. In implementing technological transformation, some factories prefer to purchase outmoded products over new ones, use old technology to replace old technology and thus slow the transformational process. This point reveals the necessity and urgency of implementing the two-price schedule for outmoded products.

ECONOMIC MANAGEMENT

ZHANG JINGFU ON INDUSTRIAL GENERAL INSPECTION

OM281421 Beijing XINHUA Domestic Service in Chinese 1443 GMT 25 Sep 84

[By reporter Xu Yaozhong]

[Text] Beijing, 25 September (XINHUA)--Speaking at the second meeting of the National Leading Group for the General Inspection of Industry on 25 September, State Councilor Zhang Jingfu stressed that it is necessary to pay close attention to the nationwide industrial general inspection work, especially the establishment and improvement of the basic work in the management of industrial enterprises.

Zhang Jingfu said: The basic work includes quality standards, standards of measurement, testing equipment, and statistics.

Zhang Jingfu said: That the State Council has decided that the principle of more pay for more work, good pay for good work, and less pay for less work must be thoroughly implemented from now on. The principle of a good price for good quality and a cheap price for inferior quality must also be implemented in order to widen the price gap between different qualities of goods. To do this, we are urgently in need of standards of quality and measurement so that we can determine the price in accordance with the quality and link the responsibility system with the fruits of labor in a real sense. At the present time, the basic work is being done poorly [in] our country, and we must catch up as quickly as possible.

Zhang Jingfu said that commodity exchange is an exchange at equal value. What we practice is a planned commodity economy. Only when the basic work is completed can we create the conditions for an exchange at equal value. The upcoming general inspection will be unfolded in an all-round way after it is carried out at selected units.

GSO: 4006/37

ECONOMIC MANAGEMENT

SICHUAN ACHIEVEMENTS IN URBAN ECONOMIC REFORMS

HK030057 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 2 Oct 84

[Excerpts] According to SICHUAN RIBAO, the cadres, staff, and workers in the province have actively responded this year to the call of the CPC Central Committee, seriously grasped reform of the urban economic setup, and speeded up the pace of this work, thus effectively stimulating the development of economic construction.

In carrying out these reforms, the province has concentrated on the following tasks: 1) Delegate the enterprises to lower levels; 2) delegate administrative jurisdiction to lower levels; 3) readjust and relax the policies; 4) link bonuses to economic results; there should be neither a maximum nor a minimum amount of bonus; and economic responsibility systems within the enterprises should be on a sound basis; 5) starting by establishing trading centers, reform the circulation setup; 6) do a good job in preparations for the second stage of substituting tax payment for profit delivery.

Urban economic reforms have developed very rapidly throughout the whole province and yielded notable results. First, the enterprises have gradually livened up. Judging by experiences in a number of places, following the expansion of their decisionmaking powers, the enterprises have shown greater concern for the markets and sought to meet market needs by improving product equality, increasing variety, and readjusting product mix. At the same time, the enterprises have actively used their own capital and bank loans to carry out technological transformation, thus strengthening their foundation.

Second, circulation has been further enlivened. As a result of readjusting procurement policies, the number of second-category agricultural and side-products have been reduced from 54 to 17. There has also been a drop in the number of daily essentials produced by industry that are covered by procurement plans. The scope of guidance planning and regulation by market mechanism has expanded.

Third, the cities have started to liven up. In the wake of the delegation of powers and enterprises to lower levels, the key role of the cities has been brought into play and the forces of attraction and radiation of urban economy have been strengthened.

CSO: 4006/37

ECONOMIC MANAGEMENT

TAIYUAN CITY SCORES ECONOMIC REFORM SUCCESSES

HK030149 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 2 Oct 84

[Excerpts] According to SHANXI RIBAO, Taiyuan City has taken a fine step forward in urban reforms. January-August profit of city enterprises covered by the budget was 25.36 percent higher than in the same period last year, while profit turned over to the state rose by 25 percent. Profit per 100 yuan worth of output rose by 12.6 percent. The increase in profit and in profit turned over to the state greatly exceeded the increase in total industrial output value, which was 11.3 percent. The percentage of enterprises running at a loss declined from 11.8 to 6.7 percent, and the amount of loss fell by 70.9 percent. The city has concentrated on grasping the following tasks in urban reforms:

1. Get hold of market information and attach importance to management. The city government has stressed that all enterprises must attach great importance to management, product quality, and sales. They must get hold of market information and improve competitiveness. To suit the switch from mandatory planning to guidance planning in the output of certain products, the Taiyuan Iron and Steel Company sent representatives of 28 provinces, municipalities and autonomous regions to visit and investigate over 800 customers. It then readjusted its product mix according to market needs, changed its service orientation. The company is now manufacturing 20 new products, focusing on stainless steel. Thus the passive situation in its output has been reversed.
2. Organize a number of specialized companies or general plants in accordance with the principle of coordination between specialized departments and in conjunction with economic readjustment.
3. The previous defects in monopoly of procurement and distribution have been solved. Banks now issue loans for enterprises' capital construction and technological transformation; previously capital was allocated for these tasks.
4. Relax the policies and develop collective and individual economy, including industry, building, agriculture, animal husbandry, catering, and service trades. At present there are 6,500 collective enterprises in these trades, compared with 1,179 before the Third Plenary Session, while the number of individual enterprises has risen from 301 to 13,036. The masses' difficulties in buying things, eating, and getting repairs done have been greatly eased. At the same time these enterprises have provided employment for 310,000 people.

5. [Words indistinct] they have imported advanced production lines from Japan, Romania, Italy, and Britain, and invited some advanced Chinese enterprises to provide specific technological guidance in Taiyuan. As a result the city has strengthened its economic vitality and improved economic results.

6. The urban and rural economies are stimulating each other and developing from closed to open.

CSO: 4006/27

ECONOMIC MANAGEMENT

STATE COUNCIL REGULATIONS ON BUILDING INDUSTRY

OWO70931 Beijing XINHUA Domestic Service in Chinese 0023 GMT 2 Oct 84

[Text] Beijing, 2 Oct (XINHUA)--The State Council recently adopted some provisional regulations on reforming the management system in the building industry and capital construction. The following are the main contents:

1. Henceforth a system of investment responsibility should be instituted in all construction projects. In some new construction projects such as coal and thermal power projects, a system of contracted responsibility which fixes construction cost on the basis of the increase of unit production capacity should be instituted. In housing construction, a system of contracted responsibility which fixes the construction cost per square meters, or the overall cost for a small area, should be instituted.
2. The system of public bidding should be promoted vigorously. It is necessary to change the old method of assigning construction tasks exclusively through administrative channels and to institute a system of inviting tenders so that the unit that contracts with surveyers, designers, builders, or installers can select the best from among them.
3. It is necessary to encourage competition and prevent monopoly. State-owned and collective designing and building units, regardless of whatever region or department they come from, may all enter into the bidding after establishment of their qualifications through examination. The competent departments in charge of a project and the local government should make things convenient for a contractor from another locality who has won a local project and should refrain from creating troubles for him. A contractor from another locality is not allowed to build a permanent base, whether in a disguised form or not, in the location where he is building a project.

Measures for allowing foreign construction companies and Chinese-foreign joint-venture construction companies to enter into the bidding in domestic engineering projects should be stipulated separately.

4. It is necessary to organize engineering contracting companies to undertake productive construction projects in industry, transport, or the like. All departments and localities should organize several such companies, give them the status of legal persons, allow them to operate independently and take sole

responsibility for their own profits and losses, and make these companies the principal contractors for construction projects. The working funds of these contracting companies should come from loans from construction banks.

5. It is necessary to set up comprehensive urban development corporations to undertake comprehensive urban land and housing development. Urban areas and large industrial or mining areas should, wherever conditions permit, set up several such corporations which should operate independently and take sole responsibility for their own profits or losses. Comprehensive department corporations should formulate the construction plan of a development area in accordance with the city's overall plan.

6. Surveying or designing institutes should turn themselves into community-oriented enterprises and introduce a system of technical and economic responsibility in an all-round way. Surveying or designing institutes should sign a contract in undertaking a task, charge surveying or designing fees in accordance with the standards set by the state, establish enterprise management systems, practice independent accounting, and take sole responsibility for their own profits or losses. Surveying or designing institutes may introduce a system of contracted responsibility on the basis of projects or disciplines within their units. Bonuses for designers should be linked up with their contributions, with no ceiling or lower limit imposed. It is necessary to encourage surveyors and designers to apply and develop new technology. As for designing units who have reduced costs, shortened the construction cycle, and markedly improved economic results due to their high-quality designs, it is permissible to appropriately increase their designing fees or allow them to share a certain percentage of the investment saved. Designers whose contributions have been substantial shall be given special rewards. Units or individuals who have caused losses through delays or whose designs have caused accidents should have their designing fees or bonuses forfeited or receive other punishment.

Surveying and designing institutes should break the bonds among the various departments and areas and compete with one another through public bidding. It is necessary to actively adopt international or advanced foreign standards.

7. It is necessary to implement the policy of encouraging contracting units to economize on investment and finish projects ahead of schedule.

8. Builders and installers should universally introduce the system of fixing the amount of wages for every 100 yuan's worth of finished work. The amount of wages should be appraised and determined jointly by the competent department and the construction bank in line with the principle of averaging advanced standards and with the limits of budgeted prices, quotas, and labor costs as stipulated by charging standards. Above-quota wages for piece work and bonus should be included in the cost. Builders and installers must institute a system of economic responsibility which emphasizes finished projects and construction quality and safety, shortens the construction cycle, reduces cost, and improves economic results. They should refrain from putting undue emphasis on output value.

9. Improve the management of construction funds. For projects financed by the state, financial appropriations should be replaced by bank loans in accordance with the principle of compensation for the use of funds. Differential rates of interest should be introduced for such loans.

10. Change the existing method of settling accounts of construction funds, have builders and installers borrow money from the construction bank, and settle accounts once and for all when a project is finished. Projects which are completed in stages should have their accounts settled as each stage is finished.

11. Reform the method of supplying building materials and gradually have the materials departments send the materials directly to the units that contract for a project, which in turn should institute a system of fixing the amount of materials in accordance with the amount of work.

Strengthen the work of supplying building materials to rural areas. Meanwhile, the materials departments should continue to bring into play their role of supplying building materials for rural housing construction.

12. Reform the method of supplying equipment. During the stage that a feasibility study of a construction project is being conducted, the unit that contracts for the project may commission equipment companies or directly contact production factories to select equipment and investigate the cost. The equipment companies should actively provide technical and economic information about the equipment and offer consultation service.

It is necessary to actively introduce a system of equipment economic responsibility and compensation contracts and clearly stipulate the supplier's and user's responsibility and reward and punishment clauses.

Contracting units are allowed to either import a small amount of certain equipment in short supply or manufacture it with imported materials if the equipment cannot be secured under the state plan.

13. Reform the existing procedures for examination and approval of projects. It is necessary to simplify the procedures for examination and approval of projects and delegate this power to the lower levels so as to reduce the number of intermediate links and raise efficiency. From now on, in handling projects that require state approval, the State Planning Commission will only examine and approve the proposals for projects and project design. Projects which utilize foreign capital or use imported advanced technology may use feasibility study reports to replace approval.

14. While retaining a contingent of backbone workers of high technical levels and combat effectiveness, state-owned construction enterprises should allow collectives or individuals to set up construction enterprises, allow licensed construction teams to participate in competitive bidding, and thus allow collective construction enterprises to jointly manage projects with them.

15. Reform the recruiting system of building and installing enterprises. State-owned building and installing enterprises should gradually reduce the proportion of regular workers. Except for backbone technical personnel, they should in the future and in principle refrain from hiring regular workers, actively introduce a labor contract system, and increase the proportion of contract workers.

16. Put housing construction on a commercial basis. It is necessary to gradually expand commercial housing construction in large and medium-sized cities. The working funds for construction should be provided by loans from construction banks and funds raised by enterprises or raised through other channels.

Commercial housing should be sold at the full price, a subsidized price, or a negotiated price depending on circumstances. Priority should be given to units or individuals with greater difficulty in selling subsidized houses.

17. Institute a method in which the local government takes unified responsibility for land requisition. From now on, the county or city government should take unified responsibility for expenses (refers to the various expenses and land management expense stipulated in the "Regulations on State Requisition of Land for Construction") of land requisitioned for construction and ensure land for construction use.

18. Reform the method of ensuring supervision over engineering quality. Construction units are held responsible for conducting supervision and checkups over large and medium-sized construction projects in the fields of industry and communications. Authoritative organs for the supervision of engineering quality should be set up in cities under the leadership of the local government to supervise the development of civilian projects in general, and to conduct supervision and checkups over the engineering quality in a specific district according to the rules and regulations and technical standards concerned.

The various departments and districts must strengthen their leadership over the reform of the management system in the building industry and capital construction on the basis of the aforementioned stipulations, and must educate all cadres to stand in the forefront of the reforms and carry out this reform well. It is necessary to adopt effective measures to quickly train managerial personnel that are good at reforming the system.

In order to reform the management systems in the building industry and capital construction, it has been decided that a reform leadership group be set up. The members of the leadership group should be supplied by the State Planning Commission, the Ministry of (Urban and Rural Construction and Environmental Protection), the State Commission for Restructuring the Economic System, the Ministry of Finance, the Ministry of Labor and Personnel, the Ministry of Medicine, the Building Industry, the State Bureau of Materials and Equipment, the Construction Bank, the Ministry of Agriculture, Animal Husbandry and Fishery, and other departments concerned. It should bear the responsibility of formulating the relevant specific rules and regulations and timely study and solve problems that crop up in the course of carrying out reform.

INDUSTRIAL SURVEY MEETING OPENS IN NANJING

OW230207 Nanjing Jiangsu Provincial Service in Nanjing 161000Z 21 Oct 67

[Text] A working conference on an experiment conducted in Changzhou City regarding a national industrial survey opened in the city this morning.

The central topic of the conference, which is sponsored by the State Council Leading Group for National Industrial Surveys, is: Under the guidelines laid down by the 31 Plenary Session of the 11th CPC Central Committee, to organize an experimental industrial survey in Changzhou City, sum up, and exchange experiences in the conduct of the first experimental national industrial survey, and discuss how to implement the leading group's arrangements for the national industrial survey to be conducted in the fourth quarter of this year.

Attending the conference are relevant responsible persons of various ministries under the State Council, 62 major cities, and 16 institutions in Jiangsu Province.

This conference is another important survey of national conditions and trends after the third national census. In accordance with a State Council decision calling for all localities to do preparatory work well for the third national industrial survey, Changzhou City in late May made a plan to conduct an experimental industrial survey in the city. After 3 months of effort, the city has basically fulfilled the tasks assigned by the Leading Group for National Industrial Surveys.

This afternoon, a responsible person of the city confidentially briefed the conference on the conduct of the experimental industrial survey in the city.

CSO: 488642

BRIEFS

LIAONING URBAN CONSTRUCTION--At the provincial forum on urban and rural construction which concluded today, Qian Shuren, governor of the province, emphatically pointed out: Our province should regard comprehensive development and unified construction as a major yardstick in measuring the results of urban construction and should do a good job in realistically fulfilling this target and carrying out the task in this regard effectively. Implementing the principle of comprehensive development and unified construction is an effective measure for realizing the overall plan of urban areas. Upholding the principle of doing things in line with the procedure of capital construction is an important way to accelerate the pace of urban construction, to save construction funds, to increase economic returns, and to upgrade the benefit of environment and ecology, which also represents an important comprehensive transformation arising out of the work of urban construction. Firmly grasping this target will not only bring about a harmonious relationship among various departments on the urban construction front, but also will enable these departments to establish a harmonious relationship with outside units. Practice has shown that only by concentrating on successfully grasping the comprehensive development and unified construction can we not only fundamentally change the outdated systems, such as introducing multiple investments, conducting scattered construction, and introducing excessively tight management, but also enliven urban construction as a whole. [Text] [Shenyang Liaoning Provincial Service By Standard 1004-007 65 005 001]

7
WU SHU BAKING

MINISTRY INITIATES OVER 50 REFORMS

WU SHU KUNMIN KIBAO in Chinese 5 Jun 84 p 1

REUTERS: "Ministry of Finance Initiates Over 50 Items of Reform"

REUTERS: According to a NEW CHINA NEWS AGENCY cable dated 4 July, the leading party group in the Ministry of Finance, while the process of consolidating the party organization is in progress, has tried to guide various financial institutions in implementing simultaneously the consolidation and reform. During the past 8 months, over 50 items of reforms have been instituted. These reforms include:

- To encourage the commercial departments in the various provinces to purchase grain and cotton to ease the difficulty of selling such commodities, those prefectures which purchase large amounts of grain are to be paid a subsidy by the Ministry of Finance. The size of the subsidy will depend on the amount purchased and sold out. The interest incurred in borrowing by the prefectures for purchasing large amounts of cotton will be subsidized by the Ministry of Finance - a subsidy.

- To support the small hydroelectric power stations in the country. The small local electric power networks in the localities will be developed. The entire amount of profit will be used for the maintenance of hydroelectric power stations and small electric power networks.

- There will be adopted the measures to increase the income of the peasants in the villages and towns in the rural areas.

- To encourage the enterprises set up by the Ministry of Finance to develop and reform the small to medium enterprises and to encourage the development of industrial and commercial enterprises. The enterprises will be encouraged to develop the small to medium enterprises for the local production of goods and services. The enterprises will be encouraged to develop the small to medium enterprises for the local production of goods and services. The enterprises will be encouraged to develop the small to medium enterprises for the local production of goods and services. The enterprises will be encouraged to develop the small to medium enterprises for the local production of goods and services.

JOURNAL ON ISSUING NEGOTIABLE INSTRUMENTS

HK220644 Beijing JINGJI GUANLI in Chinese No 9, 5 Sep 84 pp 32-33

[Article by Lu Baifu [7120 4102 3940]: "On the Feasibility of Issuing Negotiable Instruments in China"]

[Text] The issuing of various types of negotiable instruments in order to raise idle funds, open up new channels for funds, and expand the sources of funds is an effective measure in opening up new fields for raising funds during the present financial reforms. Is it necessary, then, to issue negotiable instruments in our country? Is there any difference between socialist negotiable instruments and capitalist negotiable instruments? Could the issue and circulation of negotiable instruments in our country give rise to chaos in financial activities? Some comrades still entertain doubts on these questions and thus do not dare to bravely explore in their work. This article is intended to present a few tentative views to be considered and explored.

1. Carrying Out the Construction of the "Four Modernizations" Requires That Fields for Raising Funds Be Opened Up

Our nation has issued treasury bonds since 1981. In the last few years, some enterprises and establishments have issued shares to their staff in order to raise funds. Not long ago, State Council leaders also noted that in the construction of some key projects, it was permissible to adopt the means of issuing shares or bonds to raise some funds. This is to overcome the problem of insufficient state funds. In the construction of our nation's socialist modernization, issuing negotiable instruments to raise funds is attempting something new. It opens up new avenues for raising funds in financial and monetary work in the future and undoubtedly is of great significance.

Why then do we need to develop this new channel for raising funds?

Everybody knows that, in ensuring the development of our nation's construction and ensuring the continual improvement of the people's livelihood, the amount of funds required is great, and the state's financial strength is limited. Thus adopting multichannel diversified methods for collecting funds is a feasible way of enlivening the economy and resolving the current and future insufficiencies of funds.

From the angle of financial funds, following the carrying out of reform and the expansion of the finances of enterprises, there will be new changes in distribution relationships. The degree of centralization of funds should not be allowed to get too high and state financial revenues, as a proportion of national revenues, should generally be maintained at about 28 percent. At the same time, viewed in the long-term, this will result in the future growth in financial revenues maintaining a similar level of increase to that of state revenues, or even a growth rate a little higher than that of national revenues. But due to changes in the structure of expenditures, for example exploiting intellectual resources, improving life, and the expanding needs of state administration and other fields, the growth rate of additional investment in the field of economic construction cannot exceed the growth rate of financial revenues. Therefore, a positive and feasible method is to appropriately utilize some compensation funds in order to stagger the peaks of national construction funds requirements, and thus alleviate the contradictions in construction funds requirements.

Seen from the angle of credit funds, as our country's financial facilities are not too advanced and the financial profession concerns itself with virtually one task. As a considerable portion of idle funds have still not been utilized, it is necessary to expand the financial network. However, for various reasons, we cannot use the form of expanding banks savings deposits. If we are to draw together as large a proportion of idle funds as possible, then we need to adopt many fund-raising methods. These include the issuing of stocks and bonds, which will be more attractive to idle funds than savings deposits, to raise funds.

2. The Innate Differences Between Socialist Negotiable Instruments and Capitalist Negotiable Instruments

First, the aim of issuing socialist negotiable instruments is different from the aim of issuing capitalist negotiable instruments. Capitalist negotiable instruments, be they national debentures, private shares, or company bonds, are all to ensure the multiplication of bourgeois capital. Capitalists issue all sorts of negotiable instruments in order to collect capital by which to achieve increased investment. Their aim is to obtain surplus value and increase the exploitation of the proletariat. However, socialist negotiable instruments are for speeding national construction. Their ultimate aim is to provide a material base for a continual increase in the level of the people's material and cultural lives. Even in the case of bonds issued by collectives and enterprises, the increased profits revert to the ownership of the laborers. There are no exploitative elements.

Second, the status of those who issue socialist negotiable instruments is different from that of those who issue capitalist negotiable instruments. In addition, they represent two very different ownership systems. In capitalist society, the issuers of negotiable instruments are not capitalist states but capitalist groups or individuals. However, in socialist society, the issuers of negotiable instruments are the socialist state, and state-owned or collective enterprises and establishments. All are publicly owned. Thus, in terms of ownership, there is a basic difference.

Third, the nature of income distribution for socialist negotiable instruments is completely different from that for capitalist negotiable instruments. The income from capitalist negotiable instruments, for example, dividends, bonuses, and so on, is essentially a part of the surplus value created by laborers. As the owners of the negotiable instruments are mainly capitalist groups and individuals, most of the income from the instruments goes to the bourgeoisie. They include a part which is devoured by some profit-takers who specialize in the purchase and sale of negotiable instruments. The laboring people obtain only a small portion, which cannot be compared with the huge income obtained by the capitalists through the purchase and sale of negotiable instruments. But, in socialist society, the holders of negotiable instruments are all laborers. The income from negotiable instruments which they enjoy together, no matter whether it is dividends or bonuses, is value which the laborers have created themselves. Thus it has the characteristics of socialist distribution of surplus products. It has no exploitative elements.

Fourth, the circulation conditions of socialist negotiable instruments are completely different from those of capitalist negotiable instruments. In capitalist countries, negotiable instruments are a type of "financial commodity." They have become the target of speculation by capitalists. The speculators utilize price movements in the market for negotiable securities, make trouble, and gamble with capital. Thereby they reap their profits. However, in socialist society, although negotiable instruments must also circulate, and can be exchange and transferred, type of transfer-style circulation is carried out through the state financial structure. The negotiable securities and trust market can be completely controlled.

3. Several Problems Which Require Urgent Solutions

In capitalist states, the issue and circulation of negotiable instruments has existed for 100 to 200 years. Negotiable instruments have already become a form of circulation suited to the capitalist market company and an important component of capitalist financial commodities. Our country, in issuing negotiable securities, cannot follow the capitalist forms. We must have our own unique patterns of movements and circulation. In this respect, we still lack experience and must explore and perfect things through practice. At present, if we wish to smoothly develop our work in issuing our country's socialist negotiable instruments, it is urgent that we resolve the several questions below:

1. We must formulate methods for managing shares, bonds and other negotiable instruments. We must establish, using economic legislation, various regulations which will cover, for example, issue conditions, guarantee requirements, scope of issue, subscription methods, forms of circulation, and so on. In this way we can really ensure that issues will be made in accordance with regulations, earnings will be certified, and management will be in accordance with the law.

2. We must establish trust organizations and guarantee organizations for the issuing of negotiable instruments and trust organizations for the transferring of negotiable instruments. It is necessary to set up, under the unified leadership of the Central Bank, a place for trading in socialist negotiable instruments. Here, trading in socialist negotiable instruments can, within the limits allowed by the law, be carried on. Free purchases and sales will be prohibited.

3. We must strengthen leadership over the management of negotiable instruments, and must revive and strengthen the work of banks in the fields of negotiable instruments and trusts. We should register existing negotiable instruments, implement financial management by relevant departments, and incorporate the various types of negotiable instruments into the scope of unified financing by banks and into the orbit of comprehensive credit planning. This will clearly define the various forms of fund-raising and sources of funds and we will thus avoid mutual strife in the raising of funds.

CSO: 4006/48

FINANCE AND BANKING

BRIEFS

TAX INCREASE--The economic situation in the entire region has been favorable this year. The value of industrial production and the purchasing power of the masses have gone up, while industrial and commercial taxes have shown a steady increase. By the end of May, the various taxes actually paid into the treasury amounted to some 67.89 million yuan, that is, 42.17 percent of the planned quota for the year, or an increase of 8.3 percent compared to the same period last year. The main reasons accounting for the steady increase in the various taxes are the favorable conditions which have been created for the increase in tax receipts, the importance attached to the revenue services, the leadership exercised by the party committees and the people's governments at various levels, the publicity given to the laws and decrees pertaining to tax policies by the tax departments at various levels, the establishment of various operational systems based mainly on the system of personal responsibility, improved working efficiency and the further strengthening of the administration of tax collection. [Text] [Article by Qi Yanbin [4362 1750 2430] Ningxia NINGXIA RIBAO in Chinese 27 Jun 84 p 2] 9261

GUIZHOU INDUSTRIAL, COMMERCIAL TAXES--In September this year, Guizhou Province deposited with the treasury industrial and commercial taxes amounting to 124.2 million yuan, 45.1 percent more than in the same period last year. The main reason for the increase in taxes in September was that the province's national economy developed quickly, enterprises' economic results were good, and tax cadres vigorously collected taxes and helped enterprises develop production specialized households and households doing specialized jobs in rural areas develop commodity production. By the end of September, the province had collected industrial and commercial taxes totaling 685.36 million yuan, which accounted for 77.88 percent of the 1984 quota. [Summary] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 12 Oct 84 HK]

GANSU RURAL SAVINGS--Gansu Province overfulfilled the 1984 quota for rural savings by 20.53 million yuan, 3 months ahead of schedule. The amount of rural savings throughout the province by the end of September reached 464.69 million yuan, an increase of 98.56 million yuan over the beginning of this year. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 16 Oct 84 HK]

CSO: 4006/48

MINERAL RESOURCES

RENMIN RIBAO ON NONFERROUS METALS PRODUCTION

HK180706 Beijing RENMIN RIBAO in Chinese 14 Oct 84 p 2

["Facts and Figures" column: "China Ranks Sixth in the World in the Production of Nonferrous Metals"—data provided by the Chinese Nonferrous Metals Corporation]

[Text] In 1949, China's nonferrous metals industry was ranked below the top 15 in the world. But it has risen to 6th position in the world in 1983. Compared with 1949, the 1983 output volume of 10 kinds of nonferrous metals including copper, aluminium, lead, zinc, tin, nickel, and antimony, increased by nearly 100 times. In 1949, China only produced four kinds of nonferrous metals products, but the figure grew to seven in 1983, an increase of 213.2 times in terms of output volume. In 1949, China only produced two kinds of nonferrous metals processing materials, namely copper and zinc, but the figure grew to 18 in 1983, an increase of 235 times in terms of output volume. Of the 64 kinds of nonferrous metals, in 1949 China could only produce eight kinds: copper, lead, zinc, tin, antimony, tungsten, gold, and silver. But China could produce and mine all of them in 1983. Both quality and variety of these nonferrous materials have basically met the needs of departments including atomic energy, space, shipbuilding, chemical industry, and electronics. In some of them there is even a surplus after meeting domestic demand, which is exported to the international market.

The export of China's nonferrous metals has expanded annually. In 1983, more than 100 kinds of nonferrous metals, their by-products, and their alloys were exported, an increase of 1.8 times. For the past 23 years, the accumulated foreign exchange brought by the export of the metals was 39.1 times more than that in 1950. The export of nonferrous metals has been better this year than in the previous one. According to the statistics for the first half of this year, China has signed over 160 import and export contracts with more than 100 factories from 38 countries and regions on five continents. Both the export and turnover volumes have increased by a large margin compared with the same period last year. Over the years, through low interest loans, joint ventures, and compensation trade, China has imported large complete sets of equipment, and has built and put into operation some factories including the Guizhou aluminium factory, the Guixi refinery, and the Zhuoxian aluminium processing factory. This has not only improved China's distribution of the nonferrous metals industry, but has also alleviated the contradiction between the supply and demand of nonferrous metals.

INDUSTRY

BRIEFS

TECHNICAL TRANSFORMATION PLANNING MEETING--From 2 to 5 August, the Northeast Energy and Communications Planning Office of the State Council held a forum in Shenyang on technical transformation planning for the northeast region during the seventh 5-year plan period. It called for efforts to use the world technological revolution achievements to improve china's product industry, give full play to the role of Dalian as a port city, break away from the departmental and regional barriers, and to speed up technical transformation in the northeastern region. Attending this forum were Zhu Rongji, vice minister of the State Economic Commission, Li Guixian, vice governor of Liaoning Province, Gao Dezhan, vice governor of Jilin Province, and An Zhendong, vice governor of Heilongjiang Province, and responsible comrades of relevant departments. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 7 Aug 84 SK]

INDUSTRY PACKING INSPECTION--Beijing, 20 August (XINHUA)--The general packing inspection decided by the State Council is being carried out nationwide. According to the responsible person of the leading group for such inspection, the existing problems in packing activities are causing the country an economic loss of nearly 10 billion yuan a year. The responsible person stated that, only by exposing the problems and analyzing their causes can effective measures be taken to prevent loss. He called on all localities and departments to carry out comprehensive management over packing work by improving all aspects involved, such as transport, loading and unloading, storaging and marketing. [Summary] [Beijing XINHUA Domestic Service in Chinese 0839 GMT 20 Aug 84 OW]

CSO: 4010/13

CONSTRUCTION

ECONOMIC CONSTRUCTION IN SHANDONG SEES RAPID DEVELOPMENT

Jinan DAZHONG RIBAO in Chinese 21 Jun 84 p 2

[Article by Lu Zhengwen [7627 2398 2429]: "Economic Construction in Shandong Undergoes Rapid Development"]

[Text] Spurred on by the momentum of the nation's key construction projects, the projects of economic construction in Shandong have been developing at a rapid pace.

The number of key construction projects undertaken in our province under the national plan has increased from 8 last year to 11 this year. Among that number, such projects as the power plants at Shiheng and Xouxian and the construction work undertaken at Qingdao are mostly large-scale key energy and communication engineering projects. The impetus which the nation's key construction projects have provided the local projects may be seen in the following:

First, spurred on and supported by the nation's key construction projects, the localities have been able to establish within a short period of time a range of services and processing accessories for such projects. The completion of the Yantai Synthetic Leather Factory has made it possible for the city to make use of synthetic leather products and leftover bits and pieces to set up seven projects which are either in the processing of construction or which have already begun production. The setting up of such auxiliary projects has serviced to enlarge the scope for the use of synthetic leather, to promote the renewal and replacement of the local light industrial and chemical products and to add vigor to local industrial production.

Second, the nation's key construction projects have served to provide an impetus to the local enterprises, to bring about technical improvements and to introduce technical reforms. Possessed of an advanced technical standard and considerable technical capability, these key projects are well equipped to assist the localities in providing technical training and bringing about technical reforms. Zouxian is where the Yanzhou coal mine is. With the support of the coal mine, the medium- and small-scale enterprises in Zouxian have been developing by leaps and bounds. The county has now erected over 240 large and small brick and tile factories, 14 river sand factories and over 100 stone factories. These factories, by producing and selling 500,000 cubic meters of sand and various types of stone totalling over 400,000 cubic meters a year have greatly increased the income of the locality and the masses.

Third, the establishment of the nation's key projects has created favorable conditions for the exploitation of the natural resources of the localities and for the expanded circulation of local commodities. Although the Yimeng mountain region is rich in subsidiary agricultural and mineral resources, the lack of communications and transportation facilities has made it difficult to develop such resources. The construction of the Yanzhou-Shidao Railway has, however, greatly improved the prospects for the economic development of the region. A program for the economic development of this region has been drawn up. It covers the establishment of 20 local projects, 17 of which are to be set up along the railway. Such accessory facilities as cold storages, constant temperature warehouses and storage and transportation depots for the processing of subsidiary agricultural products are in the process of being constructed or are scheduled to be constructed, large- and medium-scale glass and cement factories will soon be established. This region will before long become a base for the production of construction materials in Shandong and the East China area.

Fourth, the establishment of the nation's key projects will speed up the development of small cities and towns and reduce the gap between the cities and the rural areas. The Dongying and Huimin regions in the Shengli oil field used to be remote and desolate areas. With the rapid development of the oil field, not only have a large number of enterprises been set up to provide a range of accessories and services, but a number of businesses, schools, hospitals and movie and bath houses have also been built so that the thinly populated "Great Northern Wilderness" has gradually evolved into a number of economically developed cities and towns.

9621

CSO: 4006/632

DOMESTIC TRADE

FURTHER REFORM OF COMMERCIAL SYSTEM URGED

Harbin HEILONGJIANG RIBAO in Chinese 9 Jun 84 p 1

[Commentary: "The Commercial System Needs To Be Reformed To Adapt to Existing Circumstances"]

[Text] Each of the letters to the editor published in this paper has pointed out, in its own way, the necessity and urgency of reforming the commercial system.

Up to now, the commercial sector has failed to adequately develop specialized and commercialized production to meet the increasing needs of the vast masses for consumer goods in daily use. In the rural areas, the channels of circulation are clogged up; the peasants cannot buy the industrial products and articles for daily use that they so urgently need or they can sell their subsidiary agricultural products. It is by no means unusual to see the wealth accumulated by the peasants with the sweat of their brows being dissipated. A solution for such problems has not been found over a long period of time because of the existence of certain evil practices in the commercial system. In the final analysis, this situation can be said to be the outcome of the long-term practice of "eating out of the same big pot." First, it was the enterprises that started the practice of "eating out of the same big pot" at the expense of the state. As many as several dozen enterprises are lumped together and the responsibility for their profits and losses is assumed by the state so that there is substantially no difference in the amount of profits and bonuses paid to the various enterprises. Second, it is the practice for staff workers "to eat out of the same big pot" at the expense of the enterprises. No matter how much or little they do and how well or poorly they acquit themselves, they are paid the same wages and bonuses. This has served to put a damper on the positive attitude of the staff workers. In his letter to the editor, a reader cited as an example of the reluctance displayed by a certain supply and marketing cooperative to do business even when it is brought to the door and its refusal to sell to the peasants as little as several hundred kilograms of plastic film. Isn't this a classic example of the malaise besetting the supply and marketing cooperatives?

Like the reform of the faulty circulation system, the reform of the commercial system calls for giving a larger measure of autonomy to the large state-operated commercial enterprises, permitting the small enterprises to engage in a wider scope of operations and prodding the

enterprises into adopting various forms of the economic responsibility system. Most important of all, however, is the abolition of the practice of "eating out of the same big pot" and the motivation of the positive attitude of the staff workers. This is central to the solution of the problem. It is necessary to establish a direct link between the standard of operations of the enterprises and the quality of their service on the one hand and the benefits accruing to the enterprises and individual workers on the other so that more benefits may be given the well-run enterprises and greater rewards meted out to the staff workers who have made significant contributions. It is only thus that the people concerned will have something to strive for and that they can be motivated into devising ways and means to open up the market and the channels of circulation to meet production and consumer needs.

The reform of the commercial system is imperative under present circumstances. Thesooner reforms are adopted, the sooner it will be possible to meet the needs of the situation and to promote the production of commodities; the later reforms are brought about, the more the enterprises will be put into a passive state and the more the development of the production of commodities will continue to be hampered. Impediments to reform, aside from the effect of the same old "leftist" mentality and the same old panaceas and conventions, have been caused by the fear entertained by some comrades that serious repercussions will result if the commodities problem, affecting as it does thousands and tens of thousands of households, is not dealt with in a flawless manner. This concern, while understandable, is totally uncalled for. In actual fact, the purpose of reforming the commercial system is to improve the quality of service and to reduce expenses incurred in the process of circulation and not to jeopardize the interests of the producers and consumers. By bringing about reforms, it will be possible to improve the attitude and the quality of service, to increase the sale of commodities, to enliven the market, to satisfy the needs of production and consumption and to enhance the economic benefits of the commercial enterprises themselves. Such reforms are of benefit to all concerned. Why should they not be welcomed with open arms? What are not welcomed are shortcomings in the bureaucratic workstyle in the commercial sector, measures prejudicial to the legitimate interests of the consumers and obstructive practices which do not answer the needs of the producers and sellers.

9621

CSO: 4006/632

FOREIGN TRADE AND INVESTMENT

SWEDISH SPECIAL STEEL TECHNOLOGY TRANSFER TO CHINA PLANNED

Stockholm DAGENS NYHETER in Swedish 6 Oct 84 p 16

/Article by Kerstin Kall: "China Wants Steel Agreement"

/Text/ China's Economic Vice Minister Ma Yi has now confirmed that China intends to buy in as a participant in Avesta, both to learn more about special steel and to gain skills in conducting large-scale business enterprises.

The small committee on special steel, which met last Friday with chief negotiator Sten Niklasson and his Chinese colleague Xu Ji serving as leaders, has already finished its task.

Discussions will now continue "on a commercial basis" between Avesta and the Chinese steelworks in Beijing, which this week sent representatives on a visit to the Johnson company.

All of Avesta's management personnel were in conference last Friday and could not be reached for comment. A. Johnson and Co General Manager Goran Ennerfelt, who also sits on the Avesta board of directors, earlier in the week told DAGENS NYHETER that the Chinese proposals had awakened interest.

Issues which must now be clarified include the extent to which China is prepared to get involved, what form the investment will take, and what rules will prevail with regard to taxes and the composition of the company.

"This could be a unique and positive development in Sino-Swedish relationships," says Sten Niklason, who is traveling to China personally in January to head an energy delegation. Both sides have much to gain, and the agreement could mean a long-term market potential for special steel in China.

Several new cooperative ventures will be discussed during the Commission on Sino-Swedish Cooperation's meetings during the week. SKF /Swedish Ball Bearings Factory/ which had never shown any great interest in China previously, will now, as a result of Chinese initiatives, begin discussions regarding the modernization of ball bearing production in China.

Cooperation between Berol Chemical and between AGA /Swedish Gas Accumulator Co/ and its Chinese counterparts has also been discussed.

The Chinese delegation, headed by the extremely influential Ma Yi, has also backed a Swedish proposal concerning the construction of a "Sino-Swedish friendship center" in Beijing.

The Swedish representatives were very happy to learn of this, since they had feared that the proposal would be too bold for the Chinese. The friendship center is actually a manifestation of a wish on the part of Sweden for an office site in Beijing, with office space for Swedish companies, exhibition space for Swedish products and Swedish cultural exhibits, and perhaps living quarters for Swedish businessmen.

The projects which have been discussed by the Commission on Sino-Swedish Cooperation span a broad range, including urban planning, airplane guidance systems, enzyme technology and even pig farming.

8954

CSO: 3650/18

LABOR AND WAGES

YUNNAN'S EMPLOYMENT PROBLEMS, SOLUTIONS ANALYZED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese
No 7, 20 Jul 84 pp 35-38

[Article by Liu Tongde [0491 0681 1795], Yunnan Department of Labor Personnel: "Effectively Resolve the New Problems in Employment"]

[Text] To resolve the employment problems China confronts, we must adhere to the directive presented by Comrade Hu Yaobang in his report to the 12th CCP Congress--"Only by rationally deploying and developing diversified economic forms can we promote urban and rural economic prosperity"--and we must conscientiously summarize practical experience, correctly handle the relationship between the systems of state and collective ownership, effectively resolve the new problems in employment and aggressively consolidate and develop the collective economy in cities and towns. Only then can we accelerate national economic development and fundamentally resolve employment problems.

I. Diversified Economic Forms and Channels of Employment Must Exist Together Before We Can Properly Resolve the Problem of Integrating Workers and the Means of Production

Theoretically speaking, the employment problem is a problem of integrating workers with the means of production. In a socialist society, the means of production are publicly owned and therefore belong to the workers. Thus, in general, workers and the means of production are integrated, and all members of society should be able to obtain employment. In practice, however, if we are to provide each worker with a job, we must work through certain economic forms and employment channels before we can properly resolve the problem of integrating workers and the means of production.

During socialist transformation, the basic reason why China was able rapidly to provide employment for 11.23 million people in cities in towns was that she employed diversified economic forms and employment channels. In addition to government job assignments, other forms were also utilized, such as workers' return to the countryside, rendering assistance to villages, taking care of oneself through one's own production, organizing

to provide employment and finding one's own job. Thus the avenues to employment were very broad. Government assignments included jobs in state, private, joint public and private and cooperative enterprises. There were many channels and positions, and people were placed rapidly. IN urban collectives alone, 6.27 million people, or 55 percent of the total urban working population, were employed. In Yunnan, nearly 100,000 people obtained employment in the individual handicraft industry between 1952 and 1953, which sector played an important role in resolving the labor problem of that time. In recent years, however, many people have been unable to find work. This problem stems directly from the damage wreaked upon production and the impact of the "up to the mountains and down to the village" movement during the "10 years of chaos," which caused a large build-up in the unemployed urban labor force. Yet the basic causes of this problem are that the population grew too fast and that the economy and employment channels became monolithic and thus were unable properly to integrate workers and the means of production. Once socialist transformation was completed, the centralized system of job assignments was strengthened, and the labor force could only be placed in either the state or the collective sector. Moreover, since the state sector was stressed over the collective sector, the urban collective economy developed slowly, and thus only the state sector actually remained. This sector could not accommodate such a large labor force. Meanwhile, in the last 30 years, state-owned industry has become more capital- and technology-intensive, the components of this industry have become more sophisticated and thus employment of new workers is increasingly costly. For example, 1 million yuan in capital provided employment for 475 workers in 1952, 200 workers in 1957, 128 in 1965 and only 100 in 1978. The important point is that 1978 marked the start of "the great leap abroad," in which we began importing large amounts of equipment, spent much money but employed less people. This trend exacerbated the contradiction between the number of workers awaiting employment and the number of job positions available.

Ever since the 3d Plenum of the 11th CPC Central Committee, the party center has proceeded from China's actual conditions; readjusted policy; and, in accordance with the characteristics of the current stage of socialism, in which many economic forms coexist, advanced the policy of "under the guidance of unified state planning, labor agencies will assign jobs, voluntary organization to provide employment will be permitted and people will be allowed to seek their own occupations." This policy has broadened avenues and opened many channels for employment and enabled job-placement work to achieve outstanding success. From 1979 to 1982, 39.16 million people were provided with employment, 14.72 million, or 37.59 percent, of which were placed in the collective sector. During this period Yunnan placed 462,526 people, 41.54 percent in the state-owned sector, 36.83 percent in collectives, 5.27 percent in individual enterprises and 16.37 percent in temporary positions. These achievements have resolved the prolonged problem of unemployment and mitigated contradictions. Moreover, cities and counties that have enjoyed rapid growth in their urban collective economies have been able fully to employ

all new workers the same year such workers enter the labor force, and thus these cities and counties have basically resolved their employment problems. Practice demonstrates that only with a diversified economy and diversified channels of employment can we resolve the problem of integrating workers and the means of production.

II. To Deploy Economic Forms Rationally, We First Must Vigorously Develop Each Form of the Urban Collective Economy

The state and collective sectors represent two forms of public ownership and occupy important positions in the national economy. Nevertheless, for a long period in the past, large enterprises were emphasized over small ones, the state sector was stressed over collectives, there were mistakes in developmental strategy and thus industrial and economic structures were distributed irrationally and development was uneven. There were very great imbalances in deployment and development among economic forms, especially between the state and collective systems of ownership. In 1981, for example, the ratio between the latter two sectors in terms of staff sizes was 77:23 nationally and 87:13 in Yunnan, in terms of industrial output value the ratio was 84.2:15.8 nationally and 88.6:11.4 in Yunnan and in terms of the original value of fixed capital the ratio was 93.5:6.5 nationally and 95.3:4.7 in Yunnan. These figures are small and the volumes are low, and thus we must first engage in vigorous development before we can rationally deploy each economic form. In recent years, under the guidance of the party's correct policy, the urban collective economy has developed more rapidly and absorbed many people waiting for work. Comparing statistics for 1978 and 1983, the proportion of people who obtained work in collectives, relative to the total number of unemployed people who were placed, rose from 9.1 to 36.9 percent. Thus collectives are playing an increasingly prominent role in providing employment and have become an important channel by which to resolve the employment problem.

Yet, in general, there has been much too little progress, especially in terms of the comparison between the provincial and national urban collective economies; development has been slow; imbalances in the economic structure have not fundamentally been altered; industrial output value and commercial retail volume remain 30-40 percent below the national averages; and thus we must first undertake vigorous development before we can transform the province's backward state. Of the total number of people employed in 1983, collective and individual enterprises accounted for 58 percent nationally but only 48.36 percent in Yunnan. The characteristics of the urban collective economy are that it requires little investment, yields rapid results and enjoys managerial flexibility and great adaptability. Moreover, most collectives are labor-intensive, accommodate a large labor force and thus better resolve the problem of integrating workers and the means of production. In terms of fixed capital, in 1978 the state sector required 10,000 yuan to employ one worker, large collectives required 2,000-3,000 yuan and small collectives required only 300 or 500 to 1,500 yuan. For example, the Yipinglang General Services Co invested 49,000 yuan and employed 242 people, for

an average of 202 yuan per person. When the Labor Service Co of Kunming's Panlong District was established, the state provided 1.05 million yuan, banks lent 650,000 yuan and social accumulation and individual investment totaled 350,000 yuan. After 2 years of development, the company had established 680 enterprises and employed 7,100 people, for an average of 288 yuan per person. The company has already remitted 1.48 million yuan in taxes, and thus the state has recovered its investment.

In short, when the labor force is large, investment small, and finances straitened, we must proceed from this practice and rely on all social forces and factors of production, such as funds, space and technology, that are more easily obtainable. Only then can we accelerate the development of the urban collective economy and rapidly resolve the employment problem. If we are to realize the magnificent struggle objective proposed by the 12th CPC Congress and simultaneously run large, medium and small enterprises, we must adhere to the policy of walking on two legs. On the one hand, we must apply technological transformation to existing enterprises, establish factories that possess advanced technology and take the path of employing a smaller labor force while increasing labor productivity so that we can give full play to the advantages and leadership role of the state-owned economy. On the other hand, we must take the path that requires smaller investment and accommodates a large labor force, vigorously develop the collective economy and steadily expand labor accumulation so that we can quadruple the gross output value of industry and agriculture. These two legs complement each other, and we cannot do without either of them. Only this type of economic deployment can both increase labor productivity and effectively resolve the employment problem. This deployment represents the path we must take to accelerate development of the national economy, possesses great strategic importance and is not an expedient.

Yunnan is a mountainous frontier province that contains many nationalities and possesses very abundant resources. Nevertheless, her productive forces are backward and her transportation inconvenient. Since the state cannot provide more investment for our province, we must place greater emphasis on the development of the collective economy if we wish to make Yunnan's national economy grow a little faster. The provincial party committee and government have formulated a strategic policy to accelerate the development of the collective economy and have stipulated that the state will no longer handle any undertakings that collectives can manage. This policy marks an important shift in Yunnan's economic strategy, conforms with actual conditions in the province and will further promote progress in the collective economy. Thus our thinking must keep pace with changing conditions, we must do our changeover work properly, and we must effectively resolve all the problems we meet while moving forward. Only then can we stimulate even greater development in the urban collective economy.

III. We Must Correct Our Development Direction and Effectively Resolve the New Problems in Employment

Experience over the last few years demonstrates that only by implementing the CCP Central Committee's policies of maintaining a diversified economy and of the "three integrations" can we stimulate development of the urban collective economy and open broad channels to resolve the employment problem. These two objectives are closely related, but in general development remains primary, and employment is secondary. At present, the most salient problem in employment is that old collectives suffer from many defects, new collectives have yet to be sufficiently consolidated and many collectives collapse as soon as they are established, all of which shortcomings affect placement work and the mentality of urban youth. Many youths view collective enterprises as employment "transfer stations" or "waiting rooms" where one can await openings in state enterprises. For example, 62 percent of the 20,000-plus people who took examinations for positions in Kunming's state-owned enterprises already were employed in collectives. The Quijing Cigarette Labor Service Factory is one of Yunnan's best-run units and offers fairly good wages and benefits. Nevertheless, 57 of the factory's 72 employees dropped their work to take examinations, severely affecting the normal production and operations of this collective enterprise. This represents a new employment problem. We must conscientiously study such problems and provide ideas on how to resolve them.

1. We Must Act in Accordance with the Special Characteristics of the Urban Collective Economy and Correct our Developmental Direction

In the process of development, Yunnan's collective economy has seen three failures for every four new ventures and provided much experience and many lessons. The basic problem stems from serious "leftist" ideology, which grew up over a long period of time, and the one-sided belief that state-owned enterprises are superior to collectives, which biases have fettered the development of the collective economy. Under great pressure, some people thus treat the collective as an expedient for placing the unemployed and undertake no long-term planning for the collective. Some new enterprises assume the name "collective" but in fact are connected to and share the spoils of state-owned enterprises through the "intermixing of positions" and "confused accounts." Some people treat the collective enterprise as their units' own "appendage," using the profits therefrom to build dormitories for their units and drafting the employees thereof to serve in their units as typists, cooks, laboratory assistants and baby sitters, the wages of which are still borne by the enterprises, which thereby loses its collective characteristic. To solve these problems, we must strive to understand them, carry out consolidation in accordance with the State Council's Temporary Regulations Concerning Administrative Problems in the Urban Collective Economy and resolutely handle the specific needs of collectives, which are "socialist economic organizations in which the working masses own the means of production collectively, work together and practice distribution according to work."

First, we must insist on independent accounting and make collectives bear sole responsibility for their profits and losses and become economic entities in reality as well as name. We must also link the individual's rewards to the fruits of his labor and conscientiously effect the principles of more work more pay, less work less pay and no work no pay. Second, we must insist that all capital belongs to the workers collectively and may not be arbitrarily seized by any other unit or agency. All previous and current requisitions of human, financial and material resources must be compensated, and we must conscientiously clean up these accounts. Third, we must restore democratic management, carry out elections for cadres and open recruitment of employees, let capable people take charge, organize leadership staff, implement the contract system and establish rewards and punishments. Fourth, we must gradually form trade associations and companies comprised of amalgamated collectives, combine scattered units, open channels of communication, coordinate relationships, study developmental direction, gradually free collectives from enterprise and departmental domination and carry out amalgamation according to the intrinsic laws of economic development so that the collective economy can rapidly consolidate and grow. Only in this fashion can urban youth be reassured and stabilized.

2. We Must Give Simultaneous Consideration to the Interests of All Three Parties and Rationally Resolve the Problem of Distribution

At present, some old urban collective enterprises are severely afflicted with the problems of aging staffs and equipment and of low salaries and poor benefits, and thus youths are unwilling to join such enterprises. These problems stem primarily from heavy state taxes, from the onerous burdens imposed by supervising agencies (which exact administrative fees, cooperative funds and profit deductions) and from the fact that the interests of all three parties are not taken into simultaneous consideration. Consequently, the more profits enterprises earn, the smaller is the share they are allowed to keep. This leaves such enterprises no way out. Newly established collectives, on the other hand, have been supported by all facets of society, pay no taxes, bear no burdens and thus have grown faster. But once such collectives begin to earn economic incomes, relevant agencies start demanding a share. For example, in 1982 the wage costs of 130 workers in state-owned units were transformed to a certain factory, which was additionally ordered to remit 30,000 yuan in profits. Some neighborhood committees also exacted administrative fees amounting to 40-50 percent of net profits. Once their tax moratorium ends, some enterprises find they are unable to make ends meet and collapse.

In view of the aforementioned problems, we must undertake the following.

First, we might consider reducing or abolishing administrative fees that are rendered to administrative agencies or institutions through financial allocations, but those fees have already been paid should be remitted to superior departments. The question of whether or not to maintain the fees collected by supervising agencies that are like enterprises in nature should be decided according to the quality of the supervision such agencies provide.

Next, the cooperative funds remitted by collective enterprises belong in principle to the collective and are managed in a unified fashion by counties and cities, which may distribute the funds for use. Agencies in charge of state-owned units may not employ these funds for other purposes.

Finally, we must change the basic thrust of the tax system from a spirit of restraint to one of support. The foundation of the collective economy remains fragile. Especially so are new collectives, which though established with the support of relevant agencies, must nevertheless provide for themselves through production. There is also a large gap among wage levels, which range from 20 to 30 and to even 100 yuan. If we are to take the interests of all three parties into consideration, we should set tax rates beginning at 500 yuan and above per person per year so as to mobilize the initiative of workers and to improve the collective economy.

3. We Should Act in Accordance with Our Strength and Gradually Establish a System of Labor Insurance in Order To Assuage Workers' Anxiety About the Future

China has long maintained a centralized personnel system, and with this "iron rice bowl" all such matters as birth, old age, illness and death are guaranteed by the state. The collective, however, is a "clay rice bowl," greatly inferior, and thus urban youth are loath to go to work therein. To resolve the employment problem, the state has implemented the "three recruitments" policy and granted youths who work in collectives the right to be hired in the state-owned sector. These regulations cannot simply be abolished. Instead, we must (1) practice the system of labor contracts and break free from the old conventions of the "iron rice bowl" in order to reduce the pressure on recruitment by the state-owned sector; and (2) establish a system of labor insurance to assuage workers' anxiety about the future. To establish such a system as quickly as possible, we must take into account the characteristics of China's diversified economy; act in accordance with our strength; integrate the state, the collective and the individual; and raise retirement funds through every available channel.

4. We Must Conscientiously Stress Training Work

The key to whether or not urban collective enterprises are able to become consolidated and to develop lies in the quality of their workers and staffs. When that quality is high, enterprises can produce excellent and inexpensive goods that consumers appreciate, become competitive and gain the vitality needed to survive and rapidly grow. Yunnan's collective economy has quickened in the past 2 years primarily due to the development of the beverage sales trade, which saves effort and requires little skill. This trade, however, has reached the saturation point in some prefectures and counties, and thus there are limits to its growth. Yet there remain many things that no one does, such as making wooden articles; weaving; embroidery; carving; and television, tape-recorder, camera, watch and electrical-appliance repair. We need somebody to undertake such work, but people do not have the necessary skills and thus cannot

do it. The Yuxi City Department of Industry and Commerce tested 29 people who repair the "3 machines" and only 5 of these people passed. At present, 92 percent of all urban youth lack skills and an ability to make a living. This, then, is another prominent problem in employment. And to resolve this problem, we must emphasize reform of the educational structure, rely on the forces of society to organize youth for specialized training, encourage skilled workers to take on apprentices, hire skilled workers on a contractual basis to provide technical guidance, encourage collective enterprises to cooperate and run training centers and confer technical titles on all workers who pass examination and possess the proper qualifications so as to encourage workers to learn skills, master technical knowledge and thus help to accelerate the four modernizations.

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LABOR AND WAGES

GONGREN RIBAO ON ACHIEVEMENTS OF WORKERS' MOVEMENT

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[Article by the All-China Federation of Trade Unions: "The Great Achievements of the Chinese Workers' Movement"]

[Text] Our glorious motherland, the People's Republic of China is filled with an unlimited vitality and has now stood up for 35 years in the eastern part of the world. The founding of New China has meant that China's working class has become the class which leads China and this has meant the opening up of a new historic era for China's workers' movement.

Over the past 35 years China's workers' movement has constantly developed alongside China's socialist revolution and the historical process of construction. Furthermore, the victories of the workers' movement have promoted the development of the entire socialist revolution and the undertakings of construction.

China's Working Class Is Constantly Developing and Growing Stronger

Over the past 35 years the Chinese working class has been the class which has led China and at the same time, constantly promoted the socialist revolution and victories in construction, the army of workers has also achieved unprecedented development in itself. The total number of workers in China has now increased from 8 million in 1949 to 115,150,000 in 1983, of which 27,740,000 are in work units under collective ownership. There have also been new changes to the structure of China's working class such as the birth of workers in such areas as the electronics industry, petrochemicals, space technology, and other new and burgeoning industries. The ranks of workers in inland areas and among national minorities have also quickly developed and strengthened. There has also been enormous development amongst intellectuals, an important constituent part of the working class, and today there are now some 10 million specialized cadres of various kinds throughout the country. They all play an important role in the development of scientific research, advanced technology, as well as in the prosperity of the national economy, culture and education, and in areas such as hygiene and medicine. The proportion of women workers throughout the country has also clearly risen and, whereas in 1949 there were 610,000 women workers making up 7.5 percent of all workers, by 1983 there were some 41,990,000 women workers, making 36.5 percent of all workers in China. Since the beginning of

the 1970's, as China's working class has grown in strength and has replaced itself more quickly, enormous changes have taken place in the proportions of old and young in the working class. Today, young workers under the age of 35, born since the founding of New China, make up more than 60 percent of the work force and the vast majority of them work in the production frontline and they have thus become the backbone of production and construction. The proportion of all workers in the total urban population has risen from 14 percent during the early years of New China to 48 percent. Gross industrial output value now represents a major portion of the entire gross social output value. These enormous historical changes prove that China's working class is the representative of advanced forces of production and production relations and that it occupies an extremely important position in China's political, economic, and cultural life, as well as other areas of social life.

As the political and economic position of the working class improves and the ranks of workers quickly develop and are renewed, China's workers' movement is steadfastly making one of its most important tasks the organization and guidance of the mass of workers in the study of scientific socialism. Already a series of mass education activities have been implemented. During the early years of New China, efforts were made to complete tasks left over from the democratic revolution, to restore and develop the national economy and other similar glorious struggles, such as the struggle to resist America and aid Korea. Thus educational activities centered around patriotism, internationalism, and historical materialism were carried out among the mass of workers. In the light of developments during the period of the First Five-Year Plan, the mass of workers were taught about the party's overall line concerning the transition period. During the 10 years in which overall construction of socialism was begun, the workers were taught about Marxist philosophy, recent Chinese history, Chinese revolutionary history, independence and sovereignty, self-sufficiency, arduous struggle, and construction of the country through thrift and hard work. Since the smashing of the "gang of four" and in particular since the 3d Plenary Session of the 11th CPC Central Committee, ideological and political education for the mass of workers has been restored and strengthened in order to eradicate the serious poisoning and negative influence on the workers which took place during the 10 years of domestic chaos. Particularly since the proclamation by the party Central Committee of the "Main Points Concerning Ideological and Political Work With Workers in State-run Enterprises (Tentative)", many regions and units have been involved in organizing study courses for workers and systematically carrying out education in areas such as patriotism, collectivism, socialism, communism, and ideology. This has constantly increased the workers' ability to understand and change the world. Projects such as the Chinese Workers' Reading Activities which started in such regions as Shanghai are now developing throughout the entire country and the number of people involved in this project now exceeds 10 million and is thus creating a new trend characterized by the phrase "seek knowledge from books, seek strength from knowledge." This is a good example from recent years of the masses organizing their own education. These kinds of mass reading activities ensure that more and more of the new generation of workers establish a set of beliefs and convictions and that they aspire upward so that their youthful vitality shines forth for the good of the motherland. The mass of workers are involved in activities such as the "the five stresses,

the four beauties, and the three loves." They are setting up "civilized classes" and "civilized work units" and are struggling to be "up-to-standard workers." They are breaking down old customs and setting up new styles of work resisting the ideological corrosion of capitalism, establishing new morals, sacrificing themselves for the defense of the motherland and for the good of the people, and constantly displaying new signs of their heroic struggle.

Over the past 35 years cultural and technical education of the workers has progressed from a low level to a high level. During the first few years of the founding of New China, education mainly concentrated on wiping out illiteracy and there then followed a gradual development towards primary and secondary education for the workers and the start of the creation of tertiary education for workers. After 1956 there was a gradual shift in the emphasis of education to primary and secondary education and moves were begun to set up an educational system covering literacy and primary, secondary, and tertiary education. The 10 years of social chaos seriously damaged China's educational undertakings and also seriously harmed the workers' cultural and technical education. During the last few years of restoration of order out of chaos, all regions and areas have gradually improved cultural and technical education for workers and there have also been enormous developments in remedial cultural and technical studies, mainly aimed at young workers as well as general training courses for all workers. At the same time the mass of workers, in particular the younger workers, have increased their enthusiasm for studying cultural and technology and are attending all kinds of worker schools, evening schools, correspondence courses, and all kinds of self-study courses in ever-increasing numbers. Among work units with trade union organizations the number of workers attending various levels and kinds of worker schools in 1983 amounted to 19,084,000, making up 21.6 percent of all workers in these work units. However, as far as the demands of the new era are concerned, and in terms of the glorious history of the working class, the ideological and political qualities of China's working class, as well as their technical and scientific qualities, have not measured up to the requirements. This is an urgent and pressing topic facing our working class and the workers' movement and it requires a steadfast and unswerving effort to solve it.

China's Working Class Has Made Enormous Contributions to the Socialist Revolution and Construction

Over the last 35 years China's working class has struggled with courage and worked hard. It has made enormous contributions towards promoting the revolution and the development of construction.

During the early years of New China, it was faced with the remnant task of completing the democratic revolution and the beginning of the socialist revolution. It also had to quickly restore and develop the national economy and consolidate the newly-born power of the people. Our party and state devotedly relied on the working class and China's working class did indeed take historical initiative. The mass of workers actively took part in the democratic reforms to enterprises, the movement to repress counterrevolutionaries, and other political struggles such as the "three antis" and the "five antis." They showed great support for the rural land reform movement and thus consolidated the alliance between workers

and peasants. There was a great rise in activities of drawing up and respecting patriotic pledges. Airplanes and artillery were donated and there was support for the Chinese People's Volunteer Army. Countless numbers of railway workers and transportation workers valiantly crossed the Yalu River and together with their Korean class brothers fought against the American imperialist invasion. Throughout the entire country machines and materials were donated and mass production movement such as the record-setting movement and the patriotism movement were organized. This produced such model workers as Meng Tai, Liu Yingyuan, Zhao Guoyou, and Hao Jianxiu. It also produced advanced work groups which represented a large number of advanced collectives and individuals. These groups included the Mao Zedong Engine Group, the Ma Hengchang Small Group, and the Ma Wanshui Engineering Team.

With the arrival of the period of large-scale economic construction, China carried out socialist reform of the system of private ownership of production means and launched major changes to the social system. China's working class enthusiastically upheld and indeed participated in these glorious changes. Workers in privately owned enterprises actively implemented the party's policies of utilizing, limiting, and reforming the capitalist economy as well as the policy of peaceful redemption of the capitalist class. These workers played an important role in the socialist reforms of capitalist industry and commerce. The mass of workers cherished a fierce aspiration for changing the backward nature of the motherland and thus invested their work enthusiasm into socialist construction, providing enormous support for and participation in a series of major projects as well as the construction of some industrial bases. As a result of the motivation of such advanced models as Zhang Mingshan, Wang Chonglun, Huang Rongchang, Su Guangming, Zhao Mengtao, Yi Shijuan, and Zhang Baifa, workers in all businesses and undertakings made full use of their intelligence and wisdom and working capacity and strove to break through old quotas, improve tools, innovate new methods of operation, and work hard to improve labor productivity. Mass activities involving technical innovation began at the Anshan Iron and Steel Complex were spread throughout the country by model workers. Socialist labor emulation was promoted to a new level centered around improving technology, reforming technology, studying and coming to grips with new technology. On this basis and in accordance with Comrade Mao Zedong's proposition, an advanced producer movement developed on a magnificent scale throughout the entire country.

During the initial years of overall socialist construction China's working class developed a communist spirit, resonantly announcing "study the advanced things you see, help the backward things you see, overcome difficulties that you see, and yield to the glory that you see." Thus they daringly and energetically struggled to make contributions towards socialist construction. When China's economy came up against temporary problems and set backs, the Chinese working class once again implemented the principle of "readjusting, restructuring, consolidating, and improving" the national economy, thus carrying out an arduous struggle to bring about a turn for the better in the situation. Twenty million workers actively endorsed the party's and government's call and resolutely rushed to the villages and supported the first line of agricultural production. Workers of all nationalities throughout the country relied on their own strength and worked hard to build up the country, developing the spirit of "one li of money" and developing mass movements throughout the country to increase production and practice frugality. Advanced workers in Liaoning and Harbin, such as

Wu Jiazhu and others established contacts with craftsmen in a different area of work and business and as a result launched mass technical coordination movements. Under conditions of extreme difficulty, workers of Daqing Oilfield, typified by "iron man" Wang Jinxi, made a determined effort to be self-reliant and thus victoriously set up a major oilfield of a standard equal to advanced world standards, thus bringing an end to China's history of having to use "foreign oil."

The 10 years of social chaos seriously damaged China's national economy. After the smashing of the "gang of four" and in particular since the 3d Plenary Session of the 11th CPC Central Committee, China's working class has closely followed the Central Committee's steps for restoring order out of chaos. They have made contributions towards promoting the stability and unity of society and politics in China and the speedy healthy development of the country's national economy. With the spirit of being masters of their own affairs, the mass of workers have put forward the call "If the country is in difficulty, we will take responsibility." They have steadfastly implemented the principle of "readjusting, restructuring, consolidating, and improving" and they have offered advice and suggestions for getting the economy going. In 1979 the mass of workers began small target competitions, thus promoting the restorative reorganization of enterprises. In addition this laid down good foundations for the later implementation of the economic responsibility system. The mass of workers also actively participated in enterprise reorganization and the reform of the economic system, launching mass production activities for increasing production and economizing, centered around improving output, quality, safety, varieties, and cutting down on consumption. They worked hard to improve economic results and over the last few years there has been extensive development of mass propositions for rationalization, technical reform, and technical coordination. Between 1980 and 1982 alone the working masses put forward more than 4.33 million suggestions for rationalization, solved more than 16,000 technical problems, and propagated more than 11,000 new technological items. What is particularly pleasing is that China's intellectuals have irradiated an unprecedented enthusiasm for patriotism and service to the country, they have climbed the world's highest peaks of science and technology and have worked hard to bring about the glorious targets of the 12th Party Congress, making enormous contributions in every sphere of work. During the years of restoration of order out of chaos many old work models have radiated a kind of youthfulness while new advanced workers have been constantly emerging. Statistics for the end of 1983 show that 9.682 million advanced persons have emerged at factory level or above throughout the country, while there have been more than 38,500 national model workers and provincial and urban model workers. Such heroic model workers who exude the 1980's working class spirit of being master of one's affairs as Comrades Zhao Chune, Luo Jianfu, Lei Yuxun, Jiang Zhuying, Zhang Tongxing, An Ke, Zhang Haidi, Chen Huojin, Yuan Longping, and others have, in particular, set up glorious models and examples of China's working class.

All of this illustrates that over the 35 years since the founding of New China, China's working class has not only preserved and developed its own inherent character, in addition they have also added many new features of the new era. They have unfalteringly stood up to the test of being the class of revolutionary leaders and as such they are the locomotive of the socialist revolution and of socialist construction.

The Political Power of China's Working Class Is Gradually Expanding. There Are Visible Improvements in the Condition of Material and Cultural Life

The victorious development of China's socialist revolution and socialist construction has constantly set up conditions and laid down the foundations for a gradual expansion of the political power of the Chinese working class and improvements in the state of material and cultural life.

Through its own political party—the CPC—China's working class is achieving leadership of the country and of social life. Representatives selected from the working class participate in the People's Congress to discuss and determine major issues in the country and in social life. At the same time the mass of workers are the masters in China's socialist enterprises and they participate in the enterprises in a variety of different ways. The workers' representative conference and the factory management committee which existed during the early years of New China, as well as the workers' representative council system implemented towards the end of the 1950's were all systems of democratic management designed to preserve the mass of workers' role as masters of their affairs in enterprises. After the smashing of the "gang of four" and in particular since the 3d Plenary Session of the 11th CPC Central Committee, the party and the government, on the basis of the lessons learned from the "Cultural Revolution," adopted a series of measures to develop socialist democracy and perfect the socialist legal system, as well as gradually reforming the system of economic management and expanding enterprise autonomy, so as to bring new developments to the system of democratic management in enterprise work units. According to statistics up until the end of 1983, 209,000 grassroots work units throughout the country had established the system of workers' representative councils. Under party leadership the enterprises have integrated the system of factory superintendent responsibility in management and administration with workers' democratic management, so as to create a vital new situation in which the leadership and the masses run the enterprises with dedication to the same cause. As reforms to the economic system have progressed, enterprises have gained even greater autonomy and there have been more pressing and higher demands for the democratic management of enterprise work units. A continued strengthening of the system of democratic management, with the workers' representative council as its fundamental form, as well as integration of both economic and political democracy are both necessary and inevitable future trends of the constant progress of the socialist cause.

After the founding of New China there were definite improvements in the material and cultural lives of the mass of workers. During the first 8 years after the founding of New China, growth in workers' average monetary wage and real wages was very quick. For nearly 20 years after 1958 a variety of factors meant that workers' annual average wages rose some and fell some. After the smashing of the "gang of four," in view of China's economic difficulties, the party and the state adopted a series of measures to improve the people's lives and as a result readjusted workers' wages several times. The workers' annual average monetary wages have risen from 614 yuan in 1978 to 826 yuan in 1983, an increase of 212 yuan. When factors relating to increases in workers' living costs are deducted, the annual average real increase is 15.3 percent. During these 5 years

new employment throughout the country has risen by 39,160,000 people; an annual average of 7.83 million people finding new employment. In 1957 the average number of employed people in each worker household was 1.33. In 1983 it was 2.38 people. In 1957 the average number of people each worker had to support was 3.29 people and in 1983 it was 1.71 people. In 1983 the average per capita annual income spent on living costs was 526 yuan, more than twice the 235 yuan in 1957. When factors related to price increases are deducted, real income has increased by 67.3 percent. The state has also implemented a variety of subsidies so as to guarantee a realistic standard of living for workers. Since the founding of New China, a labor insurance system has been implemented for the mass of workers. This means that those problems which most worried workers and which in the old society could not be resolved--problems associated with giving birth, old age, sickness, death, injury, and so on--have basically been solved. At the same time collective welfare undertakings for workers such as kindergartens, sanitoriums, and old age homes have also increased very quickly. Cultural undertakings for workers have also seen considerable development. In 1950 there were only 16 workers cultural palaces and clubs organized by groups above the grassroots level of trade unions while there are only 773 organized by the grassroots level of work units. In 1983 there were 2,413 organized by groups above the grassroots level of trade unions and 28,988 run by the grassroots level of work units. Throughout the country there is a total of 30,000 workers spare time literary and art groups with a total of some 538,000 workers involved in them. There is a total of some 320,000 spare time sports teams with some 3.912 million workers participating in them.

China's Trade Union Work Is on the Road to Healthy Development

The founding of New China and the Chinese working class development as the main force in the socialist revolution and construction has also produced fundamental changes in the sociopolitical position of China's trade unions. They are no longer mass organizations under domination and suppression, instead they have become mass organizations for the class which leads the country. They have also become important social pillars of the people's democratic political power, they are the organizers and representatives of the working masses.

After the founding of New China the party and the government paid special attention to the position that the trade unions should occupy and as a result it has done a lot of work in many different areas to support the trade unions, giving full expression to the role of the trade unions. In June 1950, less than a year after the entry into the National Political Consultative Conference of the All-China Federation of Trade Unions, and in view of its role as an important political group, the Central People's Government proclaimed the "Law Concerning Trade Unions in the People's Republic of China" which provided legal guarantees for the position of the trade unions and clarified their responsibilities and established good conditions for the development of the trade unions' work and the workers' movement. In view of the participation of the trade unions, the Chinese Government also announced the implementation for workers in state-run enterprises of labor insurance and other labor regulations and laws.

The mass of trade union workers in China respect the Central Committee's guiding ideology concerning wholehearted reliance on the working class and, on the basis of the aspirations of the masses, they developed all kinds of activities. By 1951 they had quickly organized China's workers and established a unified

national organization of trade unions. Because of the close links between the trade unions and the mass of workers, the unions were able to quickly reflect the opinions and demands of the workers and thus provide a solid basis for the drawing up of policies by the party and the government. Starting out from their own characteristics the trade unions developed all kinds of mass work, corresponding with the interests and aspirations of the mass of workers. They were also able to unite and lead the workers in carrying out the party's and government's various tasks. Later on, as a result of the ideological influences of "leftism," there was erroneous criticism of Comrade Li Lisan, Comrade Lai Ruoyu, and others. The trade unions' independent organization of activities on the basis of their own powers was thus criticized as being as "assertion of independence outside the party," "rightist opportunism," "syndicalism" and "economism." The result was that trade union work was upset and harmed. During the 10 years of social chaos, the serious destruction wrought by the two counterrevolutionary cliques of Lin Biao and Jiang Qing resulted in extreme irregularities in political life in China. The ranks of the working class were seriously split and trade union organization also suffered serious damage.

Since October 1978 when the 9th National Congress of the Chinese Trade Unions was called, and in particular since the 3d Plenary Session of the 11th CPC Central Committee, China's trade unions have undergone a restoration of order out of chaos as far as their guiding ideology is concerned and they have redressed the historical errors which took place, constantly eradicating the ideological influences of "leftism." On the basis of the demands of the party and the aspirations of the workers, trade union work and the trade union organizations have been restored and developed and thus trade union work has gradually moved toward healthy development, improving year by year. In October 1983 when the 10th National Congress of the Chinese Trade Unions was called, there was further clarification of the basic tasks of the workers' movement in the new era and the principles of trade union work, while in addition the trade union constitution was revised and a new struggle program for trade union work in the new era was drawn up, thus indicating the entry of China's workers' movement into a new stage.

In recent years, as the emphasis of party and state work has shifted, China's trade unions have changed their previous erroneous methods of making the class struggle central to everything. Today trade union work has shifted to an emphasis on the four modernizations and this has promoted the smooth development of various kinds of work.

In order to correspond with the demands of socialist modernized construction and the development of the workers' movement, cadre schools and grassroots level trade union training classes both in the All-China Federation and in regional trade unions trained a total of some 2.339 million trade union workers in 1983. With guidance and concern from all levels of the party committee, readjustments and changes have been or are now being carried out to leadership groups at all levels of the trade unions. As a result of the last few years of restoration, consolidation, construction, and development, China's trade union organizations have achieved considerable success. By the end of 1983, 447,000 grassroots level trade union organizations had been restored or established, along with 5.615 million small trade union groups. Trade union membership grew to 76.934 million.

Today, the trade unions throughout China have a total of some 328,000 specialized cadres, while the number of trade union work activities totals 9.819 million. We have millions of activists in trade union work who together with large numbers of advanced model workers, worker representatives, and backbone workers in technical coordination and cultural activities form a glorious and large team. They represent the hardcore force behind the flourishing development of the workers' movement and trade union work. What is especially pleasing is that in the trade union work, a large number of advanced grassroots level trade union groups and advanced trade union workers have emerged and the most outstanding representatives among the advanced trade union workers are those such as Comrade Chen Heshang, Nie Rongben, Zhang Gongsheng, Ge Delin, Song Shengbin, Cai Yongchang, Li Yan, Dong Xiangge, and Wang Huailan.

In the new period of socialist modernized construction the fundamental tasks of the workers' movement are to unite the workers of all nationalities to carry out the glorious targets stipulated in the 12th Party Congress and, while constantly improving socioeconomic results, to strive to quadruple gross industrial and agricultural output value throughout the country before the end of the century and to build China into a modernized, highly civilized, and highly democratic socialist country. In order to achieve these glorious and historic tasks, the work principles outlined at the 10th National Congress of the Trade Unions are: To focus on the four modernizations' construction, to speak and act for the workers, to protect the workers' legal rights, to strengthen ideological and political education, and cultural and technical education for workers, to construct an idealistic, moral, cultured, and disciplined work force, and to give full expression to the main-force role of the working class in the construction of a socialist spiritual and a socialist material civilization." Trade union organizations at all levels throughout the country as well as all trade union workers are at present working hard to implement the principles and tasks drawn up at the 10th National Congress of the Trade Unions.

China's trade unions uphold the principle of proletarian internationalism and adhere to the principles of independence, equality, and mutual non-interference in internal matters. During the last few years they have restored or established friendly relations with trade union organizations in some 120 countries and regions. As a result of bilateral exchange and many-sided activities, mutual understanding has increased and friendship has developed. China's trade unions are actively developing friendly relations with trade unions in other countries and will always stand together with the proletariat classes and peoples of all other countries, providing support for the workers' and peoples struggle in the Third World for national independence and the development of their national economies, supporting the struggle of workers and trade unions in all countries to protect their legitimate rights, opposing imperialism, hegemony, and colonialism, maintaining world peace and jointly struggling for human progress.

During these celebrations of the 35th anniversary of the founding of our glorious People's Republic of China, China's workers and trade union workers are making persistent efforts to make new contributions toward the opening up of a new situation in trade union work and the workers' movement and toward the opening up of a new situation in socialist modernized construction!

LABOR AND WAGES

IMPROVEMENT IN WORKERS' QUALITY, INCOME REPORTED

HK180608 Beijing RENMIN RIBAO in Chinese 13 Oct 84 p 2

["Facts and Figures" column: "Quality and Income of Workers and Staff Members Have Improved in the Past 5 Years"]

[Text] In 1983, the number of workers and staff members in China totaled 115.15 million, an increase of 13.2 fold over 1949. The proportion of workers and staff members in the labor force of the whole society rose from 4.5 to 25 percent.

China has established a cadre contingent with more than 21 million people, of which over 10 million are specialized personnel and skilled workers in engineering and technology, agriculture, social science, and 11 other fields; over 1 million are minority nationality cadres.

The range of China's social employment has expanded constantly. During the 5 years from 1979 to 1983, China's cities and towns provided employment opportunities for 39.16 million people, an average of 7.83 million a year. By 1983, the number of people employed in China's cities and towns totaled 117.46 million people.

With the increasing number of people employed and rising labor productivity, the workers' income increased correspondingly and their consumption level rose. From 1952 to 1983, the total amount of wages of the workers in units owned by the whole people increased from 6.8 billion to 74.8 billion yuan, a 10-fold increase and a yearly average increase of 8 percent. If the factor of price increase in the workers' expenses is deducted, the total amount of actual wages shows a yearly average increase of 6.7 percent. In the last 5 years, the total amount of wages of the workers in the whole country has increased by 64.3 percent. If the factor of price increases for products consumed is deducted, the actual wages show an increase of 40.7 percent and a yearly average increase of 7.1 percent.

In 1983, the average wage of the workers was 826 yuan, an increase of 34.5 percent over 1978, a yearly average increase of 6.1 percent, and with the actual wage showing a yearly average increase of 2.8 percent. The average annual income for per capita living expenses of the workers' families was 235 yuan in 1957, increasing to 526 yuan in 1983. If the factor of an increase in the consumption price index is deducted, the actual income in 1983 showed an increase of 67.3 percent over 1957. In 1983, the per capita yearly average expenditure for the cost of living of the workers' families amounted to 506 yuan, an increase of 62.6 percent over 1978, of which the expenditure for food, clothing, and general expenses increased by 67.4, 74.1, and 64.3 percent, respectively, over 1978.

JIANGSU COLLECTIVES REFORM LABOR SYSTEM

OW200118 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 14 Oct 84

[Text] The provincial government recently approved and transmitted the suggestions of the provincial Labor Bureau on reforming the labor and wage system of urban collective-owned enterprises at and above the county and district levels, and notified the various cities and counties as well as the departments at the provincial level to implement it accordingly.

In its suggestions, the provincial Labor Bureau said that for years, the urban collective-owned enterprises at and above the county and district levels in our province have basically copied the methods of state-owned enterprises in matters related to production, operation, personnel and labor management, distribution of economic profits, as well as labor insurance and welfare. This has seriously limited the development of the productive forces and must be reformed.

The provincial Labor Bureau put forward specific proposals for reform in three aspects:

1. In accordance with the needs of production and operation, and the characteristics of the particular trades, the collective-owned enterprises may, under the guidance of the labor departments, publicly recruit workers and select those who have passed the examinations with good grades. With the approval of city and county labor departments, peasant workers, who are really needed and who no longer farm their land but still live in their rural homes, may be recruited. A contract system should be adopted for newly recruited workers so that they may be employed or dismissed as desired. With the joint approval of the competent departments of enterprises and labor departments, veteran workers and artisans with special skills, and workers in the service trades, may bring their children into the enterprises and impart their skills there. In accordance with the production needs, the collective-owned enterprises may recruit from society retired personnel with special skills. After consultations with the departments concerned they may recruit or loan from state-owned units those workers who are not readily available in society. These workers still belong to the state-owned units but are offered higher wages and better welfare treatment.
2. Having paid taxes to the state and reserved adequate funds for the collective in accordance with policies, the urban collective-owned enterprises may distribute the remaining sum of money by themselves.
3. Financial conditions permitting, the collective-owned enterprises must actively implement the social insurance system. The enterprises should determine for themselves such benefits as sick leave, medical expenses for their workers, allowances for families of deceased workers, and medical expenses for lineal relatives.

BRIEFS

JIANGSU EMPLOYMENT--Nanjing, 16 Aug (XINHUA)--Jiangsu Province has basically solved the urban employment problem. By the end of June, there were only 53,000 people awaiting work in the province, less than 1 percent of the number of those employed in urban areas. From 1979 to 1983, the province placed 1.57 million people, of which some 500,000 obtained jobs in state-run enterprises, some 800,000 in collectively-run enterprises, more than 100,000 temporary jobs, and nearly 20,000 were self-employed. In the first half of this year, the province found jobs for more than 30,000 people awaiting work. [Summary] [Beijing XINHUA Domestic Service in Chinese 0039 GMT 16 Aug 84 OW]

INDUSTRIAL LABOR FORCE GROWTH--Over the past 35 years since the founding of New China, the ranks of China's staff members and workers have grown steadily; their quality has risen markedly; their productivity has gradually improved; and their income and purchasing power have also grown. By the end of 1983, China's total number of staff members and workers had reached 115.15 million, increasing 1,320 percent over 1949. The proportion of staff members and workers in the nation's total labor force has increased from 4.5 to 25 percent. The number of professional personnel and technicians in units under the ownership of the whole people has reached 10.18 million, increasing 2,500 percent over 1952. Total employment has been continuously expanding. In the 5 years from 1979 to 1983, over 39.16 million people succeeded in finding work in China's cities and townships. Both the collective and individual economies are playing an important role in creating new jobs for urban youth. The average per capita output of industrial workers in enterprises under the ownership of the whole people in 1983 was 13,049 yuan, increasing 333 percent over 1949. The total income of staff members and workers in 1983 reached 104.29 billion yuan, increasing 760 percent over 1952 at an average annual rate of 7.2 percent. [Text] [Beijing Domestic Service in Mandarin 1200 GMT 9 Oct 84]

HEILONGJIANG STAFF AND WORKERS--The contingents of urban laborers in Heilongjiang have expanded since the founding of New China. The province now has 7.241 million staff members and workers, 18 times the number in 1949. The proportion of the staff and workers among urban residents has increased to 51.1 percent as against 30.2 percent in 1949. Since the 3d Plenary Session of the 11th CPC Central Committee, jobs have been arranged for 2,726,400 people, accounting for 93.4 percent of the persons awaiting employment. At present, staff members and workers at collective units amount to 29.3 percent of all the staff members and workers of the province. In the early post-liberation period, the number of women workers was fewer than 30,000 but now it has increased to 2.774 million, an increase of 98 times. The province now has 335,500 technical personnel in the natural sciences, an increase of 6.2 times over 1949. There are 655 scientific and technical personnel per 10,000 staff members and workers, and 61 percent of the existing staff members and workers are under 35 years of age. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 2 Oct 84 SK]

STEEL EXPORTS MAY BE HIT BY U.S. IMPORT CURB

OW201441 Taipei CNA in English 1412 GMT 20 Sep 84

[Text] Tokyo, 20 September (CNA)--Washington's newly announced steel import restriction, while sparing the Republic of China a direct hit, is likely to affect Taiwan's steel exports to Japan and Southeast Asia.

President Ronald Reagan Tuesday rejected calls for controls on foreign steel imports but told U.S. trade officials to negotiate voluntary cutbacks with "appropriate" countries.

The Republic of China is not a target nation, but Japan, South Korea, Brazil and Spain are among the "appropriate" countries required to negotiate voluntary steel export restrictions.

Steel imports averaged about 25 percent of U.S. consumption in the first half of this year, and Washington wants to see the level reduced to 20 percent.

A 5 percent reduction means an estimated 3.5 million metric tons of steel diverted away from the U.S. market. That much steel can mark 5.8 million cars or 70,000 kilometers or rail that girdles the earth one and three-quarters times.

Turned away from the United States, the surplus steel is expected to crowd the Japanese and Southeast Asian markets, where the Republic of China has just established a foothold.

The Republic of China began exporting steel products to Southeast Asia and Japan at the turn of this decade. Its exports to Japan, including plates, hot and cold coils and sheets, totaled 450,000 metric tons last year, accounting for 13.8 percent of the island nation's steel imports.

Japan, while exporting 30 million tons of steel, imported 3.24 million tons in 1983, close to 5 percent of domestic consumption.

Major steel suppliers, aside from the Republic of China, are South Korea, Brazil, Bulgaria and Spain.

Steel makers here are not much worried about their voluntary restriction on exports to the United States, for Japan's share of the U.S. market has remained about 6 percent. Their fear of erosion of the markets in Southeast Asia and the Middle East is real, however.

South Korea, Brazil and Spain certainly will try to divert their steel exports from the United States to Japan, but Tokyo will be able to manage to keep the imports at around 3.5 million tons a year by imposing overt or covert restriction, but the markets in Southeast Asia and the Middle East are out of Japanese control.

The Japanese steel industry expects a price war in those markets, where it will face an increasingly keen competition from the producers crowded out of the United States.

Although the Republic of China is expected to keep its share of the Japanese steel market, the going will get tougher as South Korea, Brazil and Spain are pressing for increased exports to Japan.

Owing chiefly to their high quality and competitive prices, the Republic of China's steel products are in no immediate danger of being crowded out of the Japanese market, but how to hold its own in the Southeast Asian market remains a challenging task facing the China Steel Corporation, which is implementing its second-phase expansion plan to increase production by 2.4 million metric tons a year at the cost of US\$1.2 billion.

CSO: 4030/20

PREMIER REPORTS ON ECONOMY TO LEGISLATURE

OW211954 Taipei CNA in English 1446 GMT 21 Sep 84

[Text] Taipei, 21 September (CNA)--Premier Yu Kuo-hwa stressed that this country must strengthen its economic structure to meet challenges of the changing world economy.

The premier made the statement to the legislative floor when he made his administrative report to the first meeting of the 74th session of the Legislative Yuan, the nation's highest lawmaking body, Friday morning.

In his report, the premier warned that "the more competitive the world market becomes, the more protectionist the trading nations tend to be," adding that "the unstable Middle East situation, extended high U.S. interest rates, and the enormous foreign debt of the Third World, remain potential threats to the world economy."

Faced with these uncertain factors in the world economy, the premier noted, "we have to be constantly alert, not only looking forward, but keeping our gaze far-sighted."

"We must plan carefully, husbanding our limited resources to continue pursuit of an even higher growth rate" while at the same time strengthening our economic structure by liberalizing and internationalizing our economy" so that it will be able to meet the changing world economy more readily, Premier Yu stated.

To reach that goal, he said, the government will

--review and revise various related social and economic statutes to adapt to and promote a modernized economic system;

--develop a new, technology-centered industrial structure while raising the productivity of traditional industries;

--disperse foreign markets; seek greater equity in our surplus situation with the United States and in the deficit with Japan; stamp out counterfeiting and establish market images for our own products;

--plan agricultural resources on an overall basis; rationalize land utility; further implement the policy of encouraging the plantation of crops other than rice; accelerate the second stage land reform program to raise farm incomes;

--improve our tax administration and system, and streamline the financial structure so as to simplify administrative procedures, to improve operational efficiency, and to create a more favorable economic environment; and

--strengthen business, industrial, and other functional organizations, bringing their participation into full play to rouse the vitality of private enterprises.

Concluding his report on the nation's economic prospect, the premier said,

"Despite our lack of natural resources, we are confident that our political stability and the diligence of our people will continue to strengthen the basis for, and contribute to the growth of our economy. We expect our per capita national income to reach US\$6,000 in 1989 (calculating from gross national production in 1989 currency)."

CSO: 4030/20

ECONOMICS MINISTER ON COUNTRY'S ECONOMIC PROBLEMS

OW210315 Taipei CNA in English 0234 GMT 21 Sep 84

[Text] Taipei, 20 September (CNA)--While impressive statistics provide a good prospect for the Republic of China's economy, Economics Minister Hsu Li-te opined his worry Thursday over such subterranean problems as the ever-growing trade surplus and mounting commodity prices.

Speaking at a meeting sponsored by the Chinese Mass Communications Educational Society, Minister Hsu said this nation's economic performance in the first half was satisfactory, judging from the various economic indices and statistics. For instance, this year's first half year economic growth registered at 12.41 percent; the general index of manufacturing industry's output during the January-August period grew by 15.12 percent; and the 8-month import-export figures respectively increased by 27.3 percent and 15.2 percent.

The minister said, however, the widening trade surplus, which is likely to reach US\$10 billion this year, indicated that while this nation has been exporting manpower and commodity resources in large volume, the supplies of these resources can hardly catch up. Under such circumstances, domestic commodity prices may go up in the next few months.

In addition, labor costs here have been rising at a growth rate much higher than the growth of industrial productivity, thus weakening the competitiveness of Taiwan-made products in overseas markets.

He said that the Economics Ministry has worked out a series of measures to liberalize the nation's economy by cutting down protection over domestic industry, lowering import tariffs and improving this nation's investment environment, expecting to countercheck the problems before it is too late.

In the meantime, the minister also revealed that the government has given priority to the nation's science and technology development. In the next 6 years, a total of NT\$200 billion (US\$ 5 billion) will be used by the government for research and development projects. The Ministry of Economics alone will set aside NT\$50 billion for the purpose during the 6-year period.

CSO: 4030/20

ECONOMIC DELEGATIONS LEAVE FOR LATIN AMERICA

OW221229 Taipei CNA in English 1010 GMT 22 Sep 84

[Text] Taipei, 22 September (CNA)--Two Chinese missions left today for Latin American and Caribbean countries to explore investment opportunities.

At a news conference Friday, Vice Foreign Minister H.K. Shao, leader of the first group, said the purpose of the trip is to strengthen trade and economic ties between the Republic of China and Latin American and Caribbean countries.

Shao and a party of 20 local businessmen, bankers and government officials will visit five Latin American countries, including Panama, Guatemala and Honduras.

The other group, consisting [of] 12 businessmen and government officials, is led by Vice Economic Affairs Minister Wang Chien-Hsuan. The group will visit six Caribbean countries, including the Dominican Republic, Haiti and St. Vincent.

Another factor behind the sending of these two missions, Vice Minister Wang said, is to enable local businessmen [to] take advantage of the CBI (Caribbean Basin Initiative) announced earlier by the Reagan administration in which all 27 Caribbean countries will be allowed to export their products to the United States tax-free.

"We will move some of our light industries to the CBI areas and sell the products to Latin America and the United States as well," he said.

The Chinese businessmen are interested in setting up textile, machine tool, watch, footwear, garment, lamp, cosmetics, sporting goods, machinery, boats and yacht and whole plant factories in both Latin America and the Caribbean.

This will be the first try for the Chinese Government to help local businessmen invest abroad. The government will provide necessary funds to help the businessmen set up plants there, Wang said.

He hoped the Chinese investment in both Latin America and the Caribbean will reach some US\$50 million in the next 2 years.

ECONOMICS MINISTER ON JAPANESE CAR VENTURE

OWO60357 Taipei CNA in English 0230 GMT 6 Sep 84

[Text] Taipei, 5 September (CNA)--Economic Affairs Minister Hsu Li-Teh said late Wednesday afternoon that the government will make a decision on the Sino-Japanese auto-making joint venture and let the people know what's going on as early as possible.

He disclosed that the widely publicized international cooperative program will be brought up at the weekly cabinet meeting Thursday morning for review and rendering a final decision, the result of which will be passed to the Japanese investors and made public immediately.

An announcement in this regard, he said, is expected to be made either on Thursday or on Friday.

Vice economics minister assured that the government will let the public know the results before Saturday.

In the meantime, the Council for Economic Planning and Development at the council meeting Wednesday afternoon conducted an in-depth discussion on the cooperative car-making program which the Executive Yuan handed down.

However, a participant in the meeting revealed that the Republic of China will insist upon the cooperative principles Toyota had agreed to earlier: exports must be maintained at 50 percent, the self-manufacturing rate must be at least 90 percent and technology transfer must be implemented.

Wang Chao-ming, vice chairman of the council, said the council fully endorses the decisions adopted by the Ministry of Economic Affairs pending the approval of the Executive Yuan.

CSO: 4030/20

TOYOTA CANNOT MEET DEMANDS IN CAR JOINT VENTURE

OWO61045 Taipei CNA in English 0930 GMT 6 Sep 84

[Text] Taipei, 6 September (CNA)--The cabinet is expected to approve today a recommendation to terminate the projected joint auto venture with Japan's Toyota Motor Corp. after the two sides failed to reach agreement on three key points raised by the Chinese side.

The Council for Economic Planning and Development approved the Ministry of Economic Affairs' proposal to kill the U.S.\$265 million project after studying a letter from Toyota's Chairman Eiji Toyoda brought here by the company's Vice President Zentaro Tsuji.

Toyoda said in the letter that his company cannot fully meet with the three Chinese demands: exporting half of the cars produced, using 90 percent of locally manufactured parts and complete technology transfer.

Tsuji returned to Japan yesterday after a 2-day visit in a last-minute effort to solve the differences.

The auto plant was to produce 300,000 compacts a year 8 years after it started operation. Toyota was to own 45 percent of the shares and 10 ROC companies were to hold the remaining shares.

An agreement was signed toward the end of 1982. However, Toyota proposed revisions afterward. Talks dragged on. Finally the Chinese Government set 4 September as the deadline and demanded a "yes" or "no" answer from Toyota regarding the Chinese demands.

CSO: 4030/20

CHINA STEEL, TOYOTA AGREE TO CANCEL CAR PLANT PLANS

OW180405 Taipei CNA in English 0318 GMT 18 Sep 84

[Text] Taipei, 17 September (CNA)--The China Steel Corp. [CSC] and the Toyota Motors Corp. of Japan Monday reached an understanding to cancel the "large-scale auto plant cooperation agreement" signed by the two sides 2 years and 9 months ago. The way how to abolish the agreement, however, is still under discussion.

A mission from Japan, headed by Toshiro Fujita, standing board director of the Toyota Motors, visited the CSC in Kaohsiung Monday. They were received by CSC Chairman Fu Tzu-han.

During the talk, Fujita expressed his satisfaction for the pleasant cooperation experiences between the two sides in past years and hoped that there will be new opportunities to cooperate in the future. He also expressed his understanding and regret for not carrying out the auto plant joint venture project.

As of the abolition of the agreement, the two sides in principle agreed to cancel it through exchange of notifications. The Japanese mission, however, insisted that it will bring the question back to Japan for further study.

A spokesman with the CSC said it will adopt either one of the following two ways to cancel the agreement:

1. The two sides formally exchange notifications informing the immediate annulment of the agreement, or
2. the CSC asks Toyota to correct the factors which have caused the failure of the cooperation. If Toyota is unable to submit effective ones within 90 days, the agreement will then be annulled automatically.

The Japanese mission will return home Tuesday. The preparatory office for joint venture of Toyota in Taiwan will also be closed after their departure.

CSO: 4030/20

ECONOMIC PLANNER SEES PROBLEMS IN FREE TRADE ZONE

OW210323 Taipei CNA in English 0240 GMT 21 Sep 84

[Text] Taipei, 20 September (CNA)--Hao Yao-tung, chairman of the nation's Council for Economic Planning and Development [CEPD], said Thursday that it is difficult to establish any free trade zone in this country under the present circumstances.

Chao said "We have difficulties and problems with such a plan, although the idea of setting up the free trade zone is accurate and proper."

He made his remarks during a forum in which local scholars, economic experts, business and civic leaders were present to exchange views and make proposals on the issue.

Chao, who served as economics minister before his current assignment, said that his council will soon refer the opinions and suggestions at the forum to the Executive Yuan for consideration.

The government has spent more than 2 years in collecting information pertaining to the free trade zone, he said.

President Chiang Ching-kuo and premier Yu Kuo-hua have directed that the nation's future economic plans should be carried out as a multilateral and free trade policy, Chao declared.

Wang Chou-ming, vice chairman of the CEPD, also said that the nation is encountering problems relating to "personal, money, products and communications" implications in the case of establishing the free trade zone.

He explained "for protection of the national security, local employees in the free trade zone still must comply with the country's exit and entry restrictions, and deposits or withdrawals of capital investments must fall within our foreign exchange controls."

Cargoes in the free trade zone will not be allowed to be shipped to the China mainland, and communications within such a zone will be limited for security reasons, Wang pointed out.

GOVERNMENT TO INVEST IN HARBOR FACILITIES

OWO10347 Taipei CNA in English 0306 GMT 1 Oct 84

[Text] Taichung, 30 September (CNA)--The Taiwan Provincial Government is spending NT\$14 billion (US\$350 million) to expand harbor facilities and handling equipment in the four international seaports to cope with the growing needs of the nation's economic and trade development.

The expansion program covers six major engineering projects being carried out in the four seaports of Keelung, Kaohsiung, Taichung, and Hualien. Highlights of these projects are:

--Keelung: Convert the east No 11 pier into container pier at a total cost of NT\$490 million. Beginning in July 1983, the project is scheduled to be completed in June 1986.

--Kaohsiung: Build a new container terminal, the fourth of its kind in the southern seaport. The project covers construction of eight piers, three of which are expected to be completed in July 1988 at an estimated cost of NT\$4.34 billion.

--Kaohsiung: Construct an 80,000-ton grain silo together with the necessary equipment and facilities at a total cost of NT\$1.26 billion. The project is scheduled to be completed in 3 years beginning in fiscal 1988.

--Taichung: Plan to build a 60,000-ton grain elevator along with the related facilities at a total cost of NT\$925 million. The project, scheduled to start in fiscal 1985, is estimated to take 3 years to complete.

--Taichung: Build a special terminal exclusively for handling chemical products. Costing NT\$440 million, the project is scheduled to be implemented in fiscal 1985 and 1986.

--Hualien: Continue the on-going fourth stage expansion project which covers extension or construction of two breakwaters and building nine deepwater berths at a combined cost of NT\$6.55 billion. The project is scheduled to be completed in June 1988.

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BRIEFS

FOREIGN TRADE UP--Taipei, 9 September (CNA)--Foreign trade for the first 8 months of this year totaled US\$35,373,200,000, with exports booming, figures released by the directorate-general of budget, accounting and statistics showed. Compared with the trade figures in the January-August 1983 period, the performances in the first 8 months this year were up by US\$6,368,400,000, or 22 percent. Exports amounted to US\$20,591,800,000, an increase of US\$4,416,600,000 from the corresponding period last year, or 27.3 percent. Imports were worth US\$14,781,400,000, up US\$1,951,800,000, or 15.2 percent from the same period of the previous year. The United States remained the largest buyer of goods from the Republic of China, purchasing US\$10,153,600,000 worth of goods, or 49.3 percent of the total exports of the ROC. In return, the ROC imported US\$3,421,600,000 from the United States, running up a favorable trade balance of US\$6,732,000,000. The two-way trade between the two countries was US\$13,575,200,000. [Text] [OWO91349 Taipei CNA in English 1331 GMT 9 Sep 84]

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